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Submission of the Province
of Saskatchewan to the Royal
Commission on Transportation.

SUBMISSION
OF THE
PROVINCE OF SASKATCHEWAN
TO THE
ROYAL COMMISSION ON
TRANSPORTATION



KING'S PRINTER
REGINA, SEPTEMBER 12, 1949

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FOREWORD

On December 29, 1948, the Government of Canada appointed a Royal Commission on Transportation. The Order in Council gave the Commission very wide powers to inquire into all phases of the transportation problem in Canada with particular emphasis on the possibility that economic, geographic or other disadvantages might confront certain sections of Canada. Other matters to be inquired into and reported on were the Railway Act, the capital structure of the Canadian National Railways, accounting methods and statistical procedures of Canadian railways and results achieved under the Canadian National-Canadian Pacific Act of 1933.

The appointment of the Commission had been requested by the governments of seven provinces, including Saskatchewan, along with their representations regarding the twenty-one per cent. general increase in freight rates awarded by the Board of Transport Commissioners. For this reason and also because it has long been felt that the extremely onerous burden of transportation costs on the economy of this Province can be largely traced to certain national policies, no time was lost in making arrangements for the preparation of a comprehensive submission. I had the honour to be selected as the member of the Government of Saskatchewan primarily responsible for making representations to the Commission. I wish to express my deep appreciation to those who have given so generously of their time and energy in the preparation of this Submission.

The procedure which had proved so satisfactory in opposing the application of the Railway Association of Canada for a thirty per cent. increase in freight rates has been followed in large measure. A Technical and Economic Committee, charged with the task of analyzing the position of the Province and assembling material to be used in the Submission, was constituted as follows: Dr. G. E. Britnell, Chairman; Dean F. C. Cronkite, K.C.; Dr. V. C. Fowke; M. A. MacPherson, K.C.; and Mr. George Oliver who also acted as Secretary. Consultants included Mr. J. S. Carmichael, who also served as Assistant Secretary; Walter J. Macdonald, F.C.A.; Mr. W. J. Hansen; and R. S. Meldrum, K.C. Valuable assistance was given by many departments and agencies of government.

In order that the Technical and Economic Committee might have the benefit of assistance from the major economic interests of the Province, a special Advisory Committee was formed under the chairmanship of Mr. B. N. Arnason, Deputy Minister of the Department of Co-operation and Co-operative Development. This Committee consisted of twenty-one members representative of agricultural organizations, co-operatives, boards of trade, the rural and urban municipal associations, women's organizations, manufacturers and the wholesale and retail trade. It is a matter of

satisfaction to me that this very representative Committee has given such generous co-operation and has approved of the position taken by the Province in the printed Submission.

A special Outline of Representations was forwarded to the Commission on April 26, 1949, after preliminary study by the Technical and Economic Committee and consultation with the Advisory Committee. This Outline, prepared at the request of the Commission, indicated the method of approach to be followed and the main points to be stressed in the final Submission.

The Commission held hearings in the City of Regina on June 7, 8, 9 and 10 at which time seventeen organizations appeared and presented well prepared briefs. These organizations were representative of the economy of the Province and there can be no doubt that the material they presented was of special assistance in showing the dependence of the various sections of that economy on rail transportation. The Province has borrowed heavily from the submissions of these organizations in preparing its case.

The terms of reference make it clear that it is recognized that a matter of national interest and importance is being investigated by the Commission. For this reason I am happy to acknowledge the assistance which this Province has derived from consultations with the governments and technical advisers of the three other western provinces, the governments of the Maritime Provinces and officials of the Maritime Transportation Commission. These consultations were designed to facilitate a broad approach in analyzing and making representations regarding a problem of vital concern to the continued maintenance of national unity.

This is the case of the Province. On behalf of the Government of Saskatchewan, I take this opportunity of expressing appreciation for the work of the Technical and Economic Committee in the preparation of the Submission. I also wish to thank the Advisory Committee, the consultants, the government departments and agencies, the various organizations appearing at the Regina Hearings and many others who have shown their interest in dealing with a problem which is of such vital importance to our continued prosperity and development as a Province.

L. F. McINTOSH,

*Minister of Co-operation and Co-operative
Development.*

GOVERNMENT OF THE PROVINCE OF SASKATCHEWAN

Regina, September 10, 1949.

THE HONOURABLE W. F. A. TURGEON, K.C., LL.D.,
Chairman,
Royal Commission on Transportation,
Ottawa, Ontario.

Dear Sir,

I have the honour to present herewith the Submission of the Province of Saskatchewan to your Commission.

It will be observed that its arrangement does not follow precisely the order in which the various points are dealt with in the Outline of Representations filed by this Province and dated April 26, 1949. It is believed, however, that the case on behalf of this Province has been developed in a clear and logical manner.

It is the earnest hope of the Government of Saskatchewan that this Submission may be of assistance to the Commission in the task before it.

Yours faithfully,

L. F. McINTOSH,

*Minister of Co-operation and Co-operative
Development*

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PART I

THE SASKATCHEWAN ECONOMY

1. Introduction

The Saskatchewan economy is peculiarly dependent on rail transportation because of distance from markets, a high degree of economic specialization, and the bulkiness of products bought and sold.

It is scarcely necessary to stress the geographic location of the Province. Producers and consumers in Saskatchewan are farther from the markets in which they buy and sell than are those of any other province. Furthermore, the hundreds of additional miles which lie between the Saskatchewan economy and its markets can be bridged only by rail transportation since neither inland nor ocean waterway facilities extend to the central plains area. The competition of ocean and lake carriers which offsets to some extent the locational disadvantages of other parts of Canada is of little relative benefit to Saskatchewan.

Saskatchewan has a considerable variety of natural resources including those basic to agriculture, mining, forest production and fisheries. Like many other communities, however, the Province is lacking in certain important resources which contribute to economic diversification. It may be stated with some definiteness that the payment of high freight charges has impeded diversification and in the meantime, for several decades, the grain lands of the Province have become less and less productive. In providing a basis for labour productivity, under present conditions, the agricultural resources of the Province possess an overwhelming advantage over all or any of the other resources, and among the various agricultural possibilities which exist, the climate, soil and topography of the Province compel a high degree of specialization in the production of wheat, with lesser attention to coarse grains, livestock, and dairy products.

The Saskatchewan economy has developed, therefore, as a highly specialized, staple-producing economy relying heavily on export markets. As a corollary of this, capital and consumer goods produced locally constitute a small proportion of total requirements, with the result that there is heavy reliance on distant sources of supply. Agricultural products normally represent from seventy-five to eighty-five per cent. of the net value of production in Saskatchewan. The manufacturing which has developed in the Province and which accounts for approximately one-tenth of net provincial production is chiefly concerned with the processing of agricultural products such as wheat, livestock, and dairy products. Saskatchewan's manufactured goods therefore must go to outside markets along with the raw materials of the Province, and their existence reduces only slightly the degree of specialization which characterizes the provincial economy.

The urban communities of the Province do not represent any essential modification of the specialization of the provincial economy. These communities are primarily, and in the great majority of cases exclusively, market centres which serve to assemble the farm produce of the region for export and to distribute the merchandise which has been imported. They are indispensable to the farming community and their prosperity is wholly dependent on the prosperity of the farmer.

As in any staple-producing region, transportation costs are of the utmost importance in determining the margins of profitable employment of labour in Saskatchewan. A general statement of the significance of such costs is that the production of the Province nets its producers the world price less freight to world markets, while at the same time goods purchased in the Province cost the purchasers the world price plus transportation costs from their point of origin. The real productivity and real income of labour in the Province, therefore, depend upon the comparison of these two monetary measures in each of which transportation costs is of major importance. Any relative lowering of transportation costs in the prairie region or on merchandise going to or from the prairie region holds the promise of marked expansion in the economic activity of the region. Any pronounced upward revision of railway rates must seriously narrow the margins of economic productivity in the Prairie Provinces.

The question of the value of products in comparison to their bulk is important in assessing the impact of freight charges upon an economy. It is a truism that commodities of high value in relation to their bulk are less affected by transportation rates than are commodities comparatively low in value in relation to their bulk. This fact may have regional significance depending upon the types of commodities concerned.

The fact is that agricultural products in general are of comparatively low value in relation to their bulk and the regional significance of this in terms of transportation charges is clear. As for the merchandise imported into the Prairie Provinces, in general it is of considerably greater value in relation to agricultural produce. Nevertheless Prairie Province imports are bulky and cumbersome, the most striking illustrations being offered by farm machinery, automobiles, building supplies and canned goods.

The technology of the wheat farm has been revolutionized within the past twenty years. Wheat growing has, as it is commonly said, become mechanized. One significant result of the process of mechanization has been to increase greatly the relative importance of transportation in the wheat economy. Revolutionary improvements in the internal combustion engine and in equipment to be so powered have practically displaced horses. This has, in effect, moved labourers away from prairie farms into eastern factories and industrial towns. Farm labour which a generation ago was engaged in raising and caring for western work horses, in driving them in the fields, and in raising vast acreages of feed for them, is no longer needed for these purposes. Instead the equivalent labour is engaged in the manufacture of power equipment and tractor fuel and in the transportation of these products from distant centres to the wheat growing region.

Wheat farming is thus even less self-sufficient and more reliant on transportation facilities than it was a generation ago. Instead of raising his own instruments of power and fuel the farmer imports them, and produces and exports extra wheat with which to pay for them. The railways are not only indispensable to the new agricultural technology, but stand to gain substantially greater traffic thereby.

Railway freight rates can do much to advance or retard the mechanization of prairie farms. Any serious upward revision of such rates would tend to check the use of power equipment in the prairie economy. This would react against the economic interests of the wheat farmer, the eastern

manufacturer and industrial labourer, and against the railways through loss of traffic.

Saskatchewan's natural resources are such as to render any appreciable measure of provincial economic self-sufficiency impossible under present conditions. Adequate transportation facilities at reasonable rates are, therefore, not merely the condition of a greater or lesser degree of prosperity but are necessary for the survival of the provincial economy.

Evidence presented to the Commission at its hearings throughout Canada has emphasized the tremendous influence exerted on the Canadian economy by the freight rate structure. There is probably no other form of charge for service which directly or indirectly affects each individual citizen more than rates charged for the transportation of goods by rail. For the Province of Saskatchewan, depending almost entirely on rail transportation for the export of primary products and for the import of vast quantities of producer and consumer goods, the impact of freight rates bears heavily on a regional economy strained in the interest of national policy.

2. Railways, Settlement and Agricultural Development

The geographical disadvantages of the Province of Saskatchewan, arising from its mid-continental position, are obvious. The Rockies and the Selkirks, with all the difficulties they offer to transportation, separate us from the Pacific coast. A thousand miles of wilderness, yielding relatively little in the way of revenue freight, separate us from the industrial areas of Ontario and Quebec. A further non-productive stretch of territory separates us from the ports of the Maritime Provinces.

Nature denied Saskatchewan any effective alternatives to rail transportation for the movement of freight. There is a complete lack of water routes, whereas in eastern Canada natural waterways, supplemented by canals constructed at great expense to the nation as a whole, provide producers and consumers with alternative forms of transportation which in turn have exerted tremendous competitive pressure on rail rates in that part of Canada. In addition the natural resources of Saskatchewan have set limits to population density, and consequently, to the building of hard-surfaced highways. Weather conditions during a large part of the year prevent highway transportation on anything but a minor scale. Thus the movement of goods by motor carrier is restricted and the bulk of all traffic must move by rail at rates virtually unaffected by truck competition.

On the other hand, Saskatchewan offers many geographical advantages to railway construction and maintenance, the benefits of which, it is submitted, are not reflected in the freight rates which its people are called upon to pay. Railway construction costs were low due to the nature of the terrain, gradients are easy, curvature is slight, there is a minimum of cuts and fills of an expensive kind, and there are no serious terminal problems. Maintenance costs likewise are reduced to a minimum. There are no parts of the right of way where the danger of rock slides requires constant patrolling and rock scaling or regular snow removal. The dry climate ensures the maximum life of ties and wooden structures. It may be fairly stated that Saskatchewan probably offers greater encouragement to cheap and economical railroading than any other region in Canada.

As a matter of national policy, which will be analyzed in some detail in its various aspects in Part II below, the Government of Canada determined that a transcontinental railway should be built wholly within Canadian territory rather than follow the more obvious route which would have necessitated a portion of the line passing through the United States. This was done at very considerable cost not only in construction around the rocky north shore of Lake Superior but in operation since. This portion of the route involves sharp curves, constant patrolling, periodical scaling to avoid rock falls, and above all produces little revenue traffic. It merely supplies a traffic "bridge" between eastern and western Canada.

The national policy of an all-Canadian railway lent support to a "National Policy" of trade and tariffs which could visualize an industrial eastern Canada, linked to the West by rail, supplying the demands for producer and consumer goods which would develop with the opening of the prairies to agricultural settlement. The national policy to settle the West and promote an east-west flow of trade again revealed itself in 1897 when lower rates were agreed upon by the C.P.R. and the Government under the terms of the Crow's Nest Pass Agreement for the movement of grain and certain grain products from the prairies to the east for export and, originally, for the westward movement of a wide range of consumer and producer goods. Thus while natural features of soil, topography, and climate determine the productive capabilities of Saskatchewan, its settlement was undertaken and its development has been largely circumscribed in the interest of national policy.

The contribution of Saskatchewan to the economic development of Canada has been closely related to the provision of transportation services. A brief historical review of the basis upon which the prairie west was settled may assist perspective. After Confederation, in 1867, there followed a lengthy period of economic inactivity in Canada coinciding with the world depression which commenced with the economic collapse in 1873. In Canada the depression ran its full course until 1896, and not even the completion of the Canadian Pacific Railway in 1885, despite the great expectations which this project had engendered, was sufficient to induce economic recovery. The initial development of western Canada required the impetus of favourable conditions in remote parts of the world and the influence of world affairs has, in large measure, conditioned the economic well-being of western Canadian producers ever since.

A number of factors, admirably summarized in the Report of the Royal Commission on Dominion-Provincial Relations, facilitated opening up of the Canadian prairies to wheat production at the beginning of the twentieth century:

"After 1896, the industrialization of Western Europe and the United States proceeded at a pace which amounted almost to a second industrial revolution. In the United Kingdom, France, Germany and the United States, the output of pig-iron and coal doubled between 1895-99 and 1910-14. The rapid growth of population, combined with the crowding of people into large industrial cities, created a rising demand for foodstuffs, particularly cereals. The full impact of this demand was felt in Canada. Hitherto the American West had been the granary for the expanding industrial population of Europe. But most of the good

American lands had been taken up and it was natural that further demands for grain would push the frontier into the open plains of the Canadian Northwest."¹

Other conditions were also favourable:

"Between 1896 and 1909-13, . . . the average of the prices of all Canadian exports increased 32 per cent, that of grains and flour increased 62 per cent and the price of wheat at Liverpool increased 33 per cent. On the other hand, the average of the prices of Canadian imports rose only 24 per cent and that of manufactured goods 20 per cent in the same period."²

Freight rates, both ocean and rail, underwent substantial reductions. Ocean rates in 1896 were only about half the level of 1870-75 and continued their downward trend until 1908. In 1897 the Crow's Nest Pass Agreement fixing rates on grain and grain products eastward and rates on certain consumer and producer goods westward was signed by the Canadian Pacific Railway and the Dominion Government. In the words of the Royal Commissioners:

"The great decline in transportation costs, the increase in the prices of cereals and the relative cheapening of the factors which entered the costs of production, i.e., manufactured goods and imports in general, suddenly brought the virgin resources of the Prairies within the scope of the international market and within the range of profitable exploitation."³

Thus the fundamental prerequisites both for the initial development and for the survival of the prairie economy are an effective world demand for wheat, rail transportation facilities, and low freight rates.

As already indicated, it is not proposed at this point to deal at length with the impact of national policies in all their ramifications. However, some reference must be made to those concerning the settlement of western Canada. Policies adopted in opening up and developing the prairie west were intricately bound up with and indeed formed part of the whole policy of Canadian nationhood. Confederation and the consolidation of British holdings on the North American continent required the expansion of settlement in the Canadian prairies. As the Rowell-Sirois Report points out the Dominion Government had control of all unoccupied lands in the Northwest and "Hence the occupation of them was directed by the national purpose of rapid and unhampered settlement." The Report further states,

"The favourable conjuncture of events after 1896 suddenly made the vast Canadian Prairie attractive to settlement. Another set of circumstances made it available almost as soon as its attraction was felt. The comparative uniformity of conditions, the concentration on a single crop and the ease with which transportation facilities could be provided and cultivation begun in a grassland terrain, meant that practically the whole region became at once

¹ *Report of the Royal Commission on Dominion-Provincial Relations* (Ottawa, King's Printer, 1940), Book I, p. 66.

² *Ibid.*, pp. 66-7.

³ *Ibid.*, p. 67.

profitable and open for development. . . . Henceforth, the speed of development depended upon the availability of men and capital. The Federal Government threw its energies and resources into the provision of both."⁴

This rapid expansion to meet the needs of national policy was made possible by concentration on a single crop. That single crop was wheat. The great staple commodity produced in such quantity and quality in western Canada became a fundamental instrument of Canadian settlement policy. Its vital importance was clearly recognized by the action of the Government of the day in entering into, and by Parliament in its ratification of, the Crow's Nest Pass Agreement with subsequent protection by statute of the integrity of the rates so prescribed.

The beneficial results of this policy of western development predicated upon the wheat economy flowed to all other parts of Canada and, as the Rowell-Sirois Report declares:

" . . . brought the realization of the economic objectives of the Confederation scheme. The Northwest was settled and the Federal Government was able, through its policies and projects, to ensure expansion in the older communities of Canada on the basis of that settlement. These communities, restricted by the exhaustion of their own frontiers and confined to a precarious dependence on their own foreign outlets, received a new stimulus from the highly specialized exporting industry on the Prairies which had become the country's principal economic contact with the external world. Wheat transformed the static and isolated regions into an integrated and expanding national economy. The rising prosperity which accompanied this growth in interdependence fortified the political structure of Confederation with a common material interest and a national spirit such as had never existed before."⁵

Agricultural settlement in Saskatchewan was, nevertheless, made possible only by the construction of transcontinental railways and branch lines. At the beginning of the century the Canadian Pacific Railway main line traversed the southern portion of the prairie area but, with the exception of short extensions of lines from Manitoba serving a limited area in eastern Saskatchewan, branch lines were confined to one running from Regina through Saskatoon to Prince Albert and another from Moose Jaw through Estevan and thence through American territory to St. Paul. Prior to 1900 agricultural settlement made relatively little progress but after 1900 railway construction encouraged expansion and in turn was stimulated by the rapid influx of population. Prairie conditions facilitated rapid and relatively inexpensive railway construction and mileage increased greatly in the first decade of the century. Settlement tended to anticipate the laying of steel on the semi-arid plains but branch lines were extended into that area between 1911 and 1916. Following the interruption caused by the first World War construction was

⁴ *Ibid.*, p. 67.

⁵ *Ibid.*, p. 79.

resumed and the present network of railways serving, and being supported by, Saskatchewan agriculture was practically complete by 1930.⁶

The close inter-relationship existing between railways and settlement in a pioneer country has been emphasized by many economists and historians in reviewing Dominion land policies in Canada. Large grants of public lands were made by the Government of Canada to the C.P.R. and Dr. Carrothers has pointed out that "the Canadian Pacific Railway . . . became directly interested in the colonization of the prairies for two reasons, first, for the disposal of its land, second, to provide traffic for its lines"⁷ while Professor Morton, the historian, was led to observe that grants of public lands "made the Canadian Pacific, next to the Government, the most potent immigration agency in the country."⁸

Saskatchewan, as a Province, came into being in 1905 in the era of active settlement promoted by the Dominion Government. Before considering the results of this rapid expansion in a new country, Table I may be useful in illustrating the rapidity of population growth in the years immediately preceding, and for the period since the granting of provincial status, the subsequent reverses and rural-urban shifts of population.

TABLE I
Population of Saskatchewan and Distribution Between Urban and Rural, 1901 to 1946.

Year	Total	Rural	Urban	Rural per cent.	Urban per cent.
1901.....	91,279	77,013	14,266	84.37	15.63
1906.....	257,763	209,301	48,462	81.20	18.80
1911.....	492,432	361,037	131,395	73.32	26.68
1916.....	647,835	471,538	176,297	72.79	27.21
1921.....	757,510	538,552	218,958	71.10	28.90
1926.....	820,738	578,206	242,532	70.45	29.55
1931.....	921,785	630,880	290,905	68.44	31.56
1936.....	931,547	651,274	280,273	69.91	30.09
1941.....	895,992	600,846	295,146	67.06	32.94
1946.....	832,688	515,928	316,760	61.96	38.04

SOURCE: *Census of the Prairie Provinces*, 1946, and preceding censuses.

The agricultural growth of the Province over the same period, as reflected in the number and area of farms and acreage under field crops is set out in Table II.

⁶ It may be well to note here that despite this rapid extension of rail services overbuilding has not been a marked characteristic of railway expansion in the Prairie Provinces, for, as Dr. Mackintosh observes after reviewing the difficulties which overwhelmed the Grand Trunk, the Grand Trunk Pacific and the Canadian Northern and forced the Dominion to take them over, "it is only fair to say that the disaster resulted from over-construction not in the Prairie sections but in Northern Ontario and Quebec and in British Columbia." (W. A. Mackintosh, *Economic Problems of the Prairie Provinces*, Toronto, 1935, p. 35).

⁷ W. A. Carrothers, *History of Immigration Policy and Company Colonization*, Part II, Chapter ii, as cited in G. E. Britnell, *The Wheat Economy*, (Toronto, 1939), pp. 34-5, from proofs kindly lent by the Macmillan Company of Canada.

⁸ A. S. Morton, *History of Prairie Settlement and "Dominion Lands" Policy* (Toronto, 1938), p. 65.

TABLE II

Number and Area of Farms and Acreage under Field Crops in Saskatchewan, 1901 to 1946.

Year	Number of Farms	Acreage of Occupied Farms	Average Occupied Acreage Per Farm	Acreage Improved	Average Improved Acreage Per Farm	Acreage Under Field Crops
1901.....	13,445	3,833,434	285.1	1,122,602	83.5	655,537
1906.....	55,971					3,271,436
1911.....	95,013	28,099,207	295.7	11,871,907	125.0	9,136,868
1916.....	104,006	36,800,698	353.8	19,632,206	188.8	13,973,382
1921.....	119,451	44,022,907	368.5	25,037,401	209.6	17,822,481
1926.....	117,781	45,945,410	390.1	27,714,490	235.3	19,558,964
1931.....	136,472	55,673,460	407.9	33,548,988	245.8	22,126,329
1936.....	142,391	56,903,639	399.6	33,631,608	236.2	21,967,167
1941.....	138,713	59,960,927	432.3	35,577,320	256.5	19,735,296
1946.....	125,612	59,416,127	473.0	35,590,239	283.3	22,361,732

SOURCE: *Census of the Prairie Provinces*, 1946, and preceding censuses.

In the first two decades of the present century, more than 100,000 new farms were established, involving an additional farm area of upwards of 40 million acres, an increase in the improved acreage of about 24 million and an increase in the area under crop from slightly over half a million acres to almost 18 million acres. In the next fifteen years, the number, area and size of farms increased much more slowly and irregularly. Since 1936 the number of farms has declined although both the occupied and the cultivated areas in farms have increased slightly and the average size and cultivated acreage per farm have increased substantially as holdings have been consolidated to promote more efficient production.

The distribution of rural and urban population in Saskatchewan indicates the predominant position of agriculture in the provincial economy. Comparative statistics showing the percentage distribution of the gainfully occupied in Canada in each of the Prairie Provinces (Table III) serve to emphasize this point still further.

TABLE III

Percentage Distribution of Gainfully Occupied* by Industry Groups for the Prairie Provinces and Canada, 1941.

Industry Groups	Manitoba per cent.	Saskatchewan per cent.	Alberta per cent.	Canada per cent.
Agriculture.....	34.73	59.33	49.02	25.79
Forestry, fishing and trapping....	2.57	1.18	1.44	3.45
Mining (including milling), quarrying and oil wells.....	1.29	0.33	3.46	2.22
Manufacturing.....	12.92	4.82	7.91	23.10
Electricity, gas, and water production and supply	0.50	0.23	0.36	0.61
Construction.....	4.65	2.08	3.60	5.25
Transportation and communication.....	8.22	5.95	6.26	6.35
Trade.....	12.92	7.97	9.13	11.08
Finance and insurance.....	2.35	1.13	1.38	2.14
Service.....	18.97	16.05	16.83	18.91
Not stated.....	0.88	0.93	0.61	1.10
Totals.....	100.00	100.00	100.00	100.00

* Not including Active Service.

SOURCE: *Eighth Census of Canada*, 1941, Volume VII: Occupations and Industries, (Gainfully Occupied, 14 years of Age and Over, for Canada and the Prairies).

Thus Saskatchewan has emerged as the greatest producer of foodstuffs for export in the Dominion but remains, by contrast, with the exception of Prince Edward Island, the least industrialized of all the provinces of Canada. This situation involves virtually complete dependence on distant sources of supply for vast quantities of consumer and capital goods, practically all of which must be brought into the Province by rail. The problem of distribution of such goods to producers and consumers does not, however, stop there. The distributing structure within the Province grew up to service the needs of vast areas and a relatively sparse population:

"Railway branch lines radiate from the principal cities of Saskatchewan and these centres can scarcely be said to have any commercial or industrial existence independent of agriculture. . . . The cities serve for the most part as distributing centres for the agricultural community so that rail transportation and wholesale trade absorb the energies of a large part of their populations. . . . The wholesale business is concentrated in a few distributing centres, of which Regina and Saskatoon are by far the most important, though wholesale services are extended from smaller distributing points such as Moose Jaw, Prince Albert, North Battleford, Swift Current, Weyburn, and Yorkton." ⁹

The number of distributing points in Saskatchewan is small in relation to the great expanse of the settled area of the Province. As a result it is probably true that rail movement of less than carload quantities involves, on the whole, longer hauls than are the rule in other provinces. This has the effect of pyramiding costs to the purchasers of consumer and capital goods, and at least one Saskatchewan consumer group emphasized that these costs bear most heavily on the outlying fringes of settlement. ¹⁰

3. The Wheat Economy

Wheat production occupies a more significant position in the economic life of Saskatchewan than in that of any other province. Mixed farming, dairying (usually associated in this Province with wheat growing or determined by proximity to the larger urban centres), and ranching are important, but the production of wheat is the major concern of more than 80 per cent. of Saskatchewan farmers. Two-thirds of the land annually seeded to field crops is devoted to the production of wheat, and of the remaining one-third, oats, grown by the farmer largely for the feeding of his livestock, claim the larger part. Over a large part of the prairie plains the proportion of wheat to all other field crops rises to more than 80 per cent. and in the drier areas to over 90 per cent. Intensive specialization in wheat relative to other grains on the semi-arid plains is a result of the great drought-resisting capacity of wheat and the extremely high quality of the wheat produced. Ranching is a competitor with wheat in the drier areas of the plains region but diversification, or mixed farming, necessitating extensive production of forage crops, is generally negligible.

Wheat acreage expanded rapidly from the opening of the century until 1921 but has since remained relatively stable (Table IV). For the last quarter of a century Saskatchewan has accounted for approximately 60 per

⁹ G. E. Britnell, *The Wheat Economy* (Toronto, 1939), pp. 23-4.

¹⁰ See *Submission by Saskatchewan Homemakers' Clubs to The Royal Commission on Transportation* (Regina, June, 1949, mimeo.).

cent. of the total western wheat acreage. Since, however, Saskatchewan has shown the largest variations in yield per acre, her contributions to total wheat production have varied greatly although over the last ten years she has produced nearly 60 per cent. of the total prairie wheat crop.

TABLE IV

Area, Yield and Production of Wheat in Saskatchewan and in the Three Prairie Provinces, 1900-1949.

(Area and Production in thousands.)

Year	SASKATCHEWAN			PRAIRIE PROVINCES		
	Acreage	Yield bus.	Production bus.	Acreage	Yield bus.	Production bus.
1900.....	487	8.8	4,306	2,495	9.4	23,457
1905.....	1,376	23.1	31,799	3,941	20.9	82,462
1906.....	2,117			5,062		
1908.....	2,396	14.5	34,742	5,624	16.3	91,853
1909.....	3,685	23.1	85,197	6,878	21.4	147,482
1910.....	4,228	15.8	66,979	7,867	14.0	110,167
1911.....	5,256	20.8	109,323	9,990	20.9	208,697
1912.....	5,582	19.2	106,960	10,011	20.4	204,280
1913.....	5,720	21.3	121,559	10,036	20.9	209,262
1914.....	5,348	13.7	73,494	9,335	15.1	140,958
1915.....	8,929	25.1	224,312	13,868	26.0	360,187
1916.....	9,032	16.3	147,559	14,363	16.9	242,314
1917.....	8,273	14.3	117,921	13,619	15.6	211,953
1918.....	9,249	10.0	92,493	16,125	10.2	164,436
1919.....	10,587	8.5	89,994	17,750	9.3	165,544
1920.....	10,061	11.2	113,135	16,841	13.9	234,138
1921.....	13,557	13.9	188,000	22,181	12.6	280,098
1922.....	12,332	20.3	250,167	21,223	17.7	375,194
1923.....	12,791	21.2	271,622	20,880	21.7	452,260
1924.....	13,033	10.2	132,918	21,066	11.2	235,694
1925.....	12,509	18.8	235,472	19,760	18.6	367,058
1926.....	13,558	16.2	219,646	21,805	17.5	380,765
1927.....	12,979	19.5	252,500	21,426	21.2	454,559
1928.....	13,791	23.3	321,215	23,159	23.5	544,598
1929.....	14,445	11.1	160,565	24,197	11.5	279,336
1930.....	14,326	14.4	206,700	23,960	16.6	397,300
1931.....	15,026	8.8	132,466	25,586	11.8	301,181
1932.....	15,543	13.6	211,551	26,395	16.0	422,947
1933.....	14,743	8.7	128,004	25,177	10.4	263,004
1934.....	13,262	8.6	114,200	23,296	11.3	263,800
1935.....	13,206	10.8	142,198	23,293	11.3	264,096
1936.....	14,744	7.5	110,000	24,838	8.1	202,000
1937.....	13,893	2.6	36,000	24,599	6.4	156,800
1938.....	13,793	10.0	137,800	24,946	13.5	336,000
1939.....	14,233	19.1	271,300	25,813	19.1	494,000
1940.....	15,571	17.1	266,700	27,750	18.5	513,800
1941.....	12,217	12.0	147,000	21,140	14.0	296,000
1942.....	12,353	24.7	305,000	20,653	25.6	529,000
1943.....	9,622	15.2	146,000	16,091	16.6	267,800
1944.....	13,200	18.3	242,100	22,444	17.5	391,700
1945.....	13,610	12.4	168,100	22,566	13.1	294,600
1946.....	14,226	14.6	208,000	23,731	16.6	393,000
1947.....	14,226	12.2	173,000	23,357	13.7	320,000
1948.....	14,389	13.3	191,000	23,045	15.8	363,000
1949*.....	15,737	11.9	187,000	26,490	12.9	342,000

* September estimate, subject to revision.

SOURCE: Dominion Bureau of Statistics.

Table V shows the area and production of coarse grains and flaxseed in Saskatchewan over the past half-century and helps to bring these crops into proper perspective as compared with wheat.

TABLE V

Area and Production of Coarse Grains and Flaxseed in Saskatchewan, 1900-1949.

(Area and Production in thousands.)

Year	OATS		BARLEY		RYE		FLAXSEED	
	Acreage	Production bus.	Acreage	Production bus.	Acreage	Production bus.	Acreage	Production bus.
1900.....	142	2,275	12	187	1	12		
1905.....	606	25,624	41	1,196	1	20	36	487
1906.....	902		78		3		109	
1908.....	930	29,205	81	1,952	3	41	110	1,144
1909.....	1,847	91,796	135	4,493	3	38	110	1,787
1910.....	1,888	58,923	130	3,061	1	12	506	3,893
1911.....	2,333	107,542	274	8,658	2	61	1,154	13,039
1912.....	2,556	117,537	292	9,595	3	57	1,780	23,033
1913.....	2,755	114,112	332	10,421	3	68	1,386	15,579
1914.....	2,520	61,816	290	4,901	3	54	958	6,131
1915.....	3,336	145,066	300	9,523	7	203	395	5,255
1916.....	3,792	163,278	367	9,916	23	548	542	6,692
1917.....	4,522	123,214	670	14,068	53	998	754	4,711
1918.....	4,988	107,253	699	11,888	123	1,420	841	4,205
1919.....	4,838	112,157	493	8,971	190	2,000	930	4,490
1920.....	5,107	141,549	519	10,501	172	2,535	1,141	5,705
1921.....	5,682	170,513	498	13,343	1,208	13,546	427	3,230
1922.....	5,098	179,708	636	18,511	901	16,164	466	4,079
1923.....	4,899	218,075	640	19,278	569	8,582	466	5,494
1924.....	4,942	97,345	954	17,360	178	2,507	927	6,119
1925.....	3,752	102,297	858	18,105	191	2,850	692	4,870
1926.....	3,921	110,193	872	21,891	307	5,454	520	3,744
1927.....	4,413	142,526	926	27,129	358	8,561	331	3,373
1928.....	4,359	156,043	1,621	44,266	471	8,412	279	2,654
1929.....	4,256	68,944	2,229	30,755	642	8,301	298	1,462
1930.....	4,531	125,509	2,016	40,522	1,010	14,875	431	3,900
1931.....	4,295	67,700	1,375	14,340	528	2,396	509	1,820
1932.....	4,365	107,400	1,329	23,400	482	5,190	381	2,200
1933.....	4,571	75,422	1,228	17,560	305	1,777	205	410
1934.....	4,625	64,288	1,088	12,403	346	1,320	175	542
1935.....	4,942	131,951	1,146	23,149	374	4,967	260	1,250
1936.....	4,684	65,462	1,302	16,627	336	1,489	366	1,240
1937.....	4,380	22,338	1,174	5,518	518	635	175	200
1938.....	4,171	90,000	1,207	20,000	292	3,400	139	725
1939.....	4,144	112,000	1,149	26,000	647	9,300	187	1,250
1940.....	3,880	93,000	1,251	23,500	607	7,000	232	1,650
1941.....	4,030	72,500	1,661	26,700	525	5,311	681	3,718
1942.....	4,902	255,000	2,468	92,000	847	15,000	1,056	10,500
1943.....	6,482	200,000	3,316	80,000	340	3,800	2,084	11,500
1944.....	5,640	198,000	2,698	72,000	397	4,800	939	6,400
1945.....	5,717	143,000	2,672	54,500	259	2,620	655	3,800
1946.....	4,329	100,000	2,317	43,000	406	4,005	455	2,594
1947.....	3,983	80,000	2,780	45,000	704	6,780	700	4,200
1948.....	3,652	89,000	2,316	42,000	1,238	10,500	600	4,740
1949*.....	3,381	91,000	1,800	34,000	690	4,500	132	750

* September estimate, subject to revision.

SOURCE: Dominion Bureau of Statistics.

Saskatchewan accounts for somewhat more than one-third of the oat acreage of Canada and about one-half of the oat acreage of the Prairie Provinces. Nevertheless, the volume of shipments out of the Province fluctuates widely since most production is for livestock consumption on the farm. Acreage increases in the early nineteen-forties were a reflection of wheat surpluses and of wartime needs for livestock and livestock products. Oat production in the Province shows wide variations since the crop is particularly sensitive to drought conditions. Conditions for production are relatively more favourable in the park belt than in the plains areas where the decline of the horse as a means of power has steadily tended to reduce acreages. While the greater part of the Province's production is normally marketed in the form of livestock and livestock products, problems of disposal of oat surpluses in outside markets arise from time to time.

In recent years Saskatchewan's barley acreage has shown a substantial increase with the Province at times occupying the position of the largest producer in the Dominion. Like oats, however, barley is highly susceptible to drought and as a result has been grown most extensively in eastern and northeastern areas of the Province. High grade barley of malting quality is grown in the area around Preeceville, Canora and north-east of Yorkton, in east-central Saskatchewan, and a fairly sizeable export business has grown up with the United States in yellow seeded smooth-awned barley.

Rye is very much less important in the economy of the Province than other coarse grains. Yields and, under normal conditions, prices as well have been such as to offer little encouragement to its production. The greater part of the rye acreage is found on light sandy soils in chronic drought areas where it is frequently sown in the fall to check soil drifting. The history of rye production in the Province has been marked by extreme fluctuations in acreage, in yield and in price.

The provincial production of flaxseed is of slight importance. In World War II flax acreage increased in response to the need for greater production of oil bearing crops, yet even during this period of good prices and active demand the area sown to flax fluctuated widely reflecting the persistence of production problems. In more normal times demand has also been uncertain and competition from other sources of supply has been keen. A return to such conditions was indicated in the spring of 1948 when this crop was declared surplus by the United States government and a sharp drop in price followed the resulting collapse of E.C.A. financed markets.

The dominant position of wheat in the economy of Saskatchewan and the violent fluctuations in farm income are both emphasized in Table VI which shows the estimated cash income from the sale of farm products in Saskatchewan from 1926 to 1948 inclusive. Various factors such as the incidence of drought conditions, national policy and wartime demand, have operated, from time to time, to reduce the income from wheat and to increase the relative importance of other sources, particularly livestock and livestock products. When practicable and economic, diversification is to be welcomed and the sections following will deal specifically with each of the segments of the agricultural economy of the Province. Yet the fact remains that proceeds from wheat form the actual backbone of provincial farm income. Any circumstance, domestic or international, which affects wheat vitally affects Saskatchewan.

TABLE VI

Estimated Cash Income from the Sale of Farm Products in Saskatchewan, 1926-1948.

(Value in millions of dollars.)

Year	Wheat	Coarse Grains and Flax	Cattle and Calves	Hogs	Dairy Products	Poultry and Eggs	(1) All Other Products	(2) Certain Govern- ment Payments	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
1926.....	240	17	9	8	7	5	5		291
1927.....	216	22	11	7	6.5	4.5	4		271
1928.....	256	29	13	6	7	5	5		321
1929.....	184	23	12	8	8	5	5		245
1930.....	85	9	6	7	6.5	5	3.5		122
1931.....	44	5	6	5	5	3	3		71
1932.....	59	4	4	3	4	2	2		78
1933.....	55.5	4	3	4	4.5	2.5	3.5		77
1934.....	62	8	5	7	5	3	3		93
1935.....	74	5	9.5	7	5	3.5	4		108
1936.....	80	12	11	9	6	3	5		126
1937.....	35	5	19	9	7	3	6		84
1938.....	64	3.5	6	4	7	4.5	4		93
1939.....	120	7	9	5	6	6	5	2	160
1940.....	101.5	7	13	10	7.5	6	6	7	158
1941.....	89	12	16	17	13	9	6	18	180
1942.....	75	35	23	25	16	14	8	33	229
1943.....	122	84	29	42	19	19	13	17	345
1944.....	(3)305	83	39	59	21	23	13	12	555
1945.....	(3)195.5	77	52	31	19	23.5	12	3	413
1946.....	(3)208	59.5	56	19	20	13	12	12.5	400
1947.....	(3)227	89.5	42.5	20	23	14	13	10	439
1948.....	(3)292	66	80	21.5	27.5	16	17	17	537

(1) Includes sheep and lambs, horses, hay, clover, potatoes, vegetables, wool, honey and fur farming.

(2) Includes payments under the Wheat Acreage Reduction Act, the Prairie Farm Income Act and the Prairie Farm Assistance Act.

(3) Includes amounts paid on account of Wheat Participation Certificates.

SOURCE: Dominion Bureau of Statistics (by correspondence with the Dominion Statistician, August, 1949).

Survival of the Saskatchewan economy has involved constant efforts to reduce costs in order to meet competition in world markets. Machinery has played an important part in these efforts by the prairie wheat grower to increase his efficiency and reduce his costs of production. The trend to mechanization is illustrated in Table VII. The horse and horse-drawn implements have, in large measure, given place to the tractor, the motor truck the harvester-combine and other large-scale farm machinery. Following an initial period of rapid mechanization from 1921 to 1931 the trend was slowed down by drought and depression in the nineteen-thirties and by wartime shortages in the early nineteen-forties. Normal annual replacements alone are large and only part of the backlog of demand had been made up prior to the census of 1946 so that between 1946 and 1948 the wholesale value of sales of new equipment more than doubled while in the same period the Saskatchewan market absorbed more than one-third of all repair parts sold in Canada.¹¹ The importation of this equipment and the large tonnage of repair parts from eastern Canada and the United States has in itself furnished an increasing volume of traffic for the railways.

¹¹ See *Farm Implement and Equipment Sales in Canada, 1946, 1947, 1948* (Ottawa, Dominion Bureau of Statistics, 1947, 1948 and 1949).

TABLE VII

**Number of Tractors, Motor Trucks, Combines and Gasoline Engines
on Farms, Saskatchewan and Prairie Provinces, 1921-1946.**

Year	Tractors		Motor Trucks		Combines		Gas Engines	
	Saskat- chewan	Prairie Provinces	Saskat- chewan	Prairie Provinces	Saskat- chewan	Prairie Provinces	Saskat- chewan	Prairie Provinces
1921.....	19,243	38,485						
1926.....	26,674	50,136	3,267	5,640				
1931.....	43,308	81,659	10,938	21,517	6,019	8,897	38,549	83,044
1936.....	42,050	81,657	10,338	21,293	6,420	9,827	39,194	86,152
1941.....	54,129	112,624	21,285	43,363	11,202	18,081	33,882	80,745
1946.....	71,596	151,161	27,756	56,177	22,498	38,870	43,062	98,907

SOURCES: Preliminary returns of *Census of the Prairie Provinces, 1946*, and preceding censuses.

The mechanization of prairie agriculture has resulted in a substantial change in the character and volume of western rail traffic. The Outline of Representations submitted by this Province makes reference to this fact in the following words:

"The specialization of the Saskatchewan economy which creates large surpluses of agricultural products creates a corresponding inadequacy of the capital equipment and consumers' goods required in the province. These goods must be secured from distant producing centres and imported into the province, again with inescapable reliance upon railway or pipe line transportation services. The capital equipment required by the prairie wheat economy is bulky and cumbersome. Freight rates represent at best a heavy addition to its factory cost and a significant element in the farmer's costs of production." (p.3)

TABLE VIII

**Railway Loadings and Unloadings of Petroleum and its Products at
Stations in Saskatchewan, 1932 to 1948.**

Year	Crude Petroleum	Gasoline		Petroleum Oils and Other Petroleum Products Ex- cept Asphalt and Gasoline	
	Unloaded tons	Loaded tons	Unloaded tons	Loaded tons	Unloaded tons
1932.....	241,103	96,700	113,503	62,811	85,983
1933.....	250,837	89,539	97,023	65,849	75,239
1934.....	247,194	82,680	102,865	64,439	84,054
1935.....	221,760	62,909	100,106	60,915	96,254
1936.....	318,530	85,287	115,054	64,323	76,726
1937.....	337,783	102,013	115,921	63,585	55,290
1938.....	441,559	164,374	154,038	75,180	59,172
1939.....	454,424	100,923	106,562	42,288	42,752
1940.....	551,348	89,650	95,115	48,275	37,228
1941.....	600,858	112,146	97,364	71,288	51,265
1942.....	691,890	142,866	171,049	91,529	86,318
1943.....	709,561	181,930	238,461	109,409	93,842
1944.....	907,392	197,523	250,666	86,638	92,293
1945.....	863,658	178,550	199,436	92,660	116,999
1946.....	890,559	163,785	217,301	82,090	99,543
1947.....	893,446	109,473	239,781	96,410	137,135
1948.....	977,891	135,537	229,485	106,174	161,734

SOURCE: *Summary of Monthly Railway Traffic Reports* (Dominion Bureau of Statistics, Ottawa).

Mechanization has also involved a spectacular increase in the consumption of petroleum products of all kinds. Crude oil for processing together with a large volume of the refined products required for the operation of mechanized equipment move by rail. The rail movement of crude petroleum into Saskatchewan for the last 17 years (complete data are not available prior to 1932) is shown in Table VIII together with the loadings and unloadings of gasoline and petroleum oils and other petroleum products. The latter figures indicate that a substantial rail movement is involved in the distribution of gasoline and other petroleum products within the Province.

The importance of the trend towards greater mechanization on farms is strikingly reflected in statistics on the consumption of non-taxable petroleum fuels in Saskatchewan, (Table IX). Saskatchewan Taxation Branch officials estimate that of the total non-taxable petroleum fuels approximately 80 per cent. is used for agricultural purposes and the remaining 20 per cent. by the small group of other non-taxable users. While undoubtedly some of the increased consumption during the war years was due to increased demands of the Department of National Defence it should be noted that, after a slight post-war dip, the trend has been very sharply upward.

TABLE IX

Consumption of Non-Taxable Petroleum Fuels in Saskatchewan,
1932 to 1948.

	Gallons
1932.....	10,393,525
1933.....	8,155,449
1934.....	11,803,825
1935.....	14,179,721
1936.....	16,140,633
1937.....	18,704,278
1938.....	38,614,900
1939.....	48,302,415
1940.....	53,134,632
1941.....	63,775,021
1942.....	79,376,237
1943.....	89,599,373
1944.....	97,508,822
1945.....	87,087,704
1946.....	100,867,707
1947.....	116,627,968
1948.....	126,064,092

SOURCE: Taxation Branch, Treasury Department, Province of Saskatchewan

Specialization in wheat, originally conceived as the only logical and economic means to promote rapid settlement and balance the Canadian economy as an integrated whole, has proved to be fundamentally sound for the prairie plains. However, the production of a staple food for sale on the markets of the world in competition with producers in other countries results inevitably in the western farmer accepting world prices, over which he has no control. Price setting by governments, with the greatest degree of co-operation at international levels cannot overcome the fact that, in the final analysis, the western wheat grower, remote from world markets, must accept

the world price less the cost of transportation and handling. The hazard involved in violent price fluctuations is illustrated in Table X, which gives the average annual prices received by Saskatchewan farmers for wheat from 1911 to 1948 inclusive.

TABLE X

Estimated Average Prices of Wheat to Farmers in Saskatchewan,
1911 to 1948.

1911.....	\$0.58	1930.....	\$ 0.47
1912.....	.56	1931.....	.38
1913.....	.64	1932.....	.35
1914.....	.96	1933.....	.47
1915.....	.91	1934.....	.61
1916.....	1.28	1935.....	.60
1917.....	1.95	1936.....	.92
1918.....	1.99	1937.....	1.05
1919.....	2.32	1938.....	.58
1920.....	1.55	1939.....	.54
1921.....	.76	1940.....	.58
1922.....	.85	1941.....	.59
1923.....	.65	1942.....	.77
1924.....	1.21	1943.....	1.14
1925.....	1.25	1944.....	1.25
1926.....	1.08	1945.....	1.56
1927.....	.97	1946.....	1.54
1928.....	.77	1947.....	1.55
1929.....	1.03	1948.....	1.55

SOURCE: Dominion Bureau of Statistics.

In view of the speed at which the prairies were settled in response to the national urge, it is scarcely surprising that grave mistakes in land use were made. The Report of the Royal Commission on Dominion-Provincial Relations has told the story in a few words:

"The occupation of the Prairie lands proceeded with little discrimination. There were no classifications of resources, no soil surveys, no climatic records to guide either the government or the unwary settler. The policies and methods of the Dominion were mainly designed to serve the national purpose of filling the North-west at once with as many people as possible. The selection of land was left largely to chance and to the devices which colonization agents, railways and land companies employed in their own immediate interests. The sectional survey, the railway land grant scheme, and pre-emptions illustrate a system designed for indiscriminate mass colonization and it worked with almost mechanical perfection. Adjustment to the vagaries and failings of nature was left to time and bitter experience."¹²

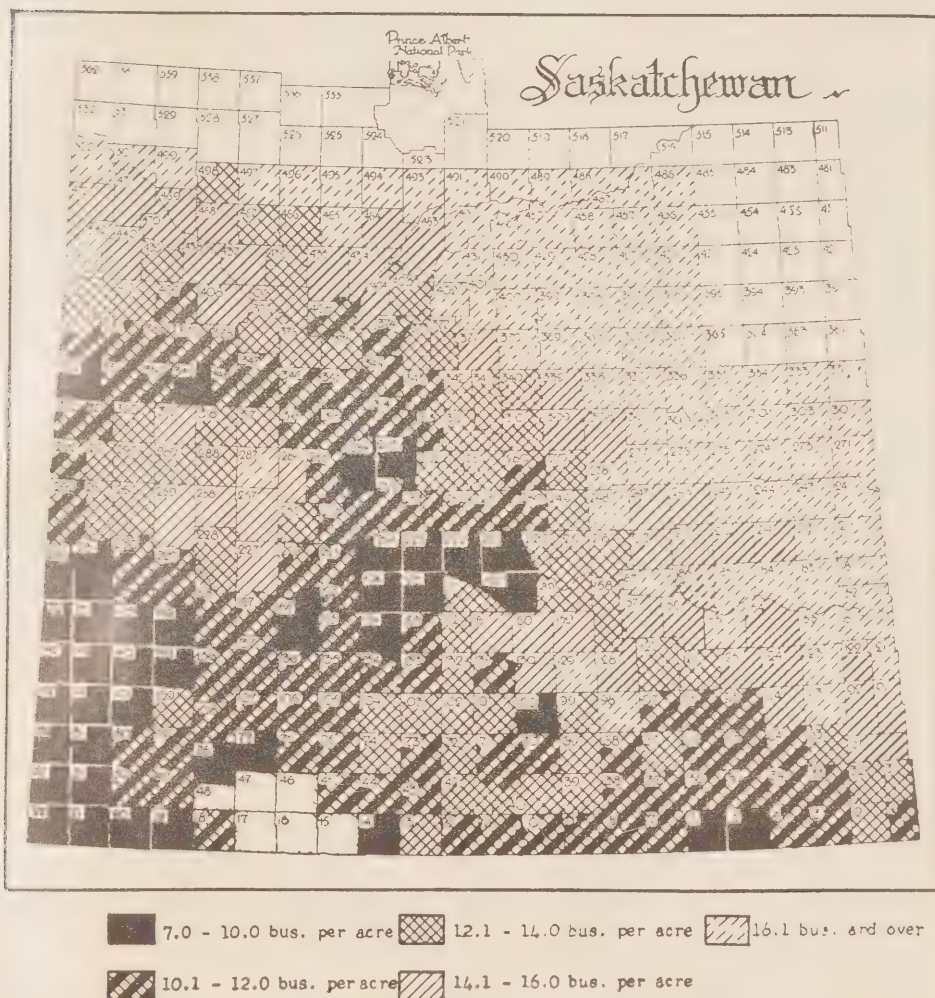
Throughout succeeding years weaknesses in the agricultural economy have been revealed in recurring periods of drought and depression and over the past twenty years in particular the emphasis has shifted from problems of expansion to problems of conservation, consolidation, and more effective land use.

¹² *Op. cit.*, pp. 67-8.

Approximate average yields of wheat by municipalities have been compiled by the Supervisor of Agricultural Statistics, Saskatchewan Department of Agriculture for each year from 1918 to 1948 inclusive. Figure I shows the 31 year average for each municipality for which records are sufficiently complete. The variations in yield in different parts of the Province are clearly shown on this map.

FIGURE I.

THIRTY-ONE YEAR AVERAGE WHEAT YIELDS PER ACRE.



As a result of crop failures and low yields governmental assistance measures became necessary, in certain areas, early in the history of settlement. These measures, which took many forms such as the provision of seed grain, feed and fodder, food and clothing, and fuel had cost quite substantial sums even prior to the period of prolonged drought and chronic depression through the nineteen-thirties. Table XI, an historical statement of such assistance,

has been compiled from the records of Provincial government departments. The figures include such sums as are on record regardless of the source of the funds. Figure II shows the regional distribution of this assistance.

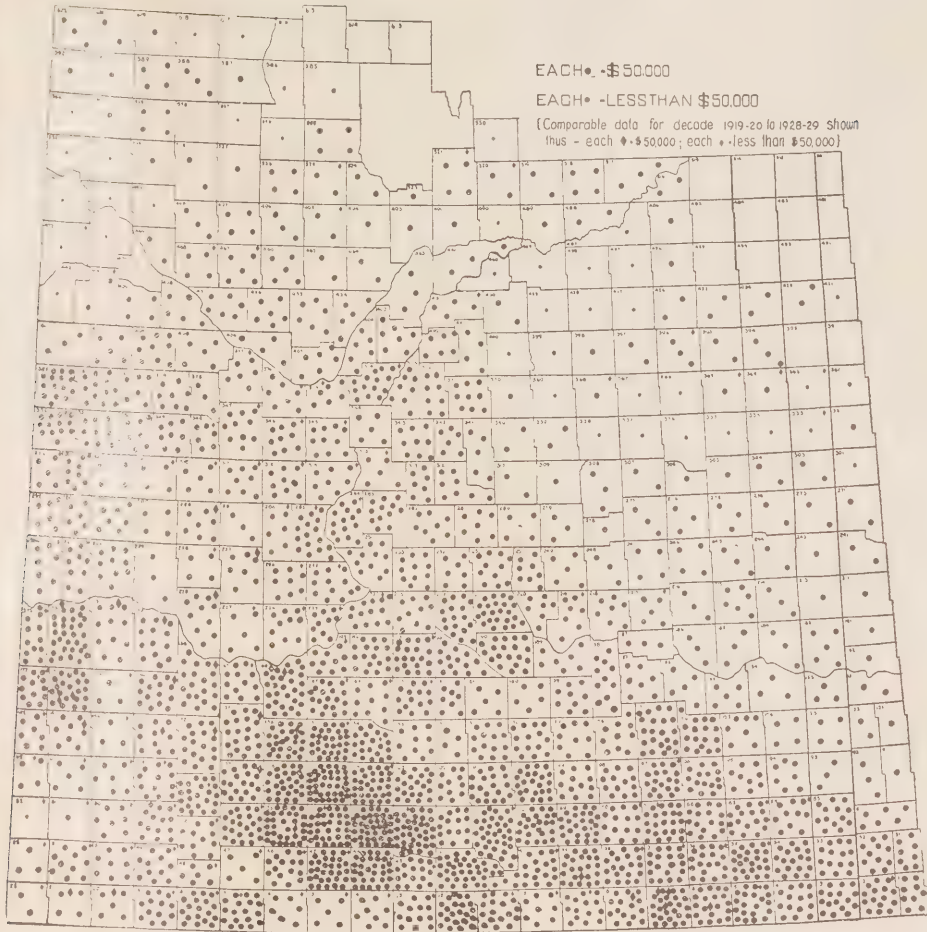
TABLE XI

Relief Advances Compiled from the Records of Provincial Government Departments for Agricultural Assistance and Direct Relief in Rural Municipalities and Local Improvement Districts in Saskatchewan, 1907-08 to 1940-41.

Relief Season	Amount of Advances	Total
1907-08.....	\$ 566,005.91	
1908-09.....		
1909-10.....		
1910-11.....		
1911-12.....	199,859.53	
1912-13.....		
1913-14.....		
1914-15.....	8,655,698.41	
1915-16.....		
1916-17.....	8,484.00	
1917-18.....	123,388.16	
1918-19.....	224,797.95	\$ 9,778,233.96
1919-20.....	2,660,310.56	
1920-21.....	356,215.50	
1921-22.....	203,854.46	
1922-23.....	94.40	
1923-24.....		
1924-25.....	90,648.98	
1925-26.....	5,000.00	
1926-27.....	533.34	
1927-28.....	1,099.00	
1928-29.....		3,317,756.24
1929-30.....	1,983,176.70	
1930-31.....	4,647,491.52	
1931-32.....	18,342,156.83	
1932-33.....	3,356,101.70	
1933-34.....	12,313,449.67	
1934-35.....	17,843,119.42	
1935-36.....	7,345,824.67	
1936-37.....	18,443,580.40	
1937-38.....	47,816,010.22	
1938-39.....	13,143,326.71	145,234,237.84
1939-40.....	1,986,056.45	
1940-41.....	837,382.64	2,823,439.09
		\$ 161,153,667.13
Relief Roadwork 1929-30 to 1938-39..		9,992,878.46
Other Services 1929-30 to 1938-39.....		15,439,353.22
Grand Total.....		\$ 186,585,898.81

SOURCE: Statistics Branch, Saskatchewan Department of Agriculture.

FIGURE II.

RELIEF ADVANCES**RELIEF YEARS 1929-30 TO 1938-39**

The persistence of these problems resulting in part from unwise settlement policies, in part from the climatic cycles of the semi-arid plains, and reaching at times the proportions of a national disaster, necessitated action on a Dominion scale to help correct the mistakes which the rapid settlement had left in its wake and to alleviate as far as possible the hazards of nature. As a result Parliament passed the Prairie Farm Rehabilitation Act, 1935, (commonly known as the P.F.R.A.), to "provide for the rehabilitation of drought and soil drifting areas in the Provinces of Manitoba, Saskatchewan and Alberta." ¹³

Soil surveys, not available when settlement was first undertaken, have now revealed fairly clearly the distinctions between land suitable, marginal,

¹³ *Statutes of Canada*, 1935, 25-26 Geo. V, c. 23.

and sub-marginal for wheat production and together with the development of scientific cultural practices and practical experience are forming the basis for the Dominion rehabilitation programme aimed at the economic use of land resources. This means the strengthening of the wheat economy by diverting to other productive effort soils unsuited to wheat production under average conditions. Thus basic settlement mistakes are slowly being corrected. Some striking results have already been achieved but, being a long range programme, continuing efforts are required to realize the objectives of this remedial legislation.

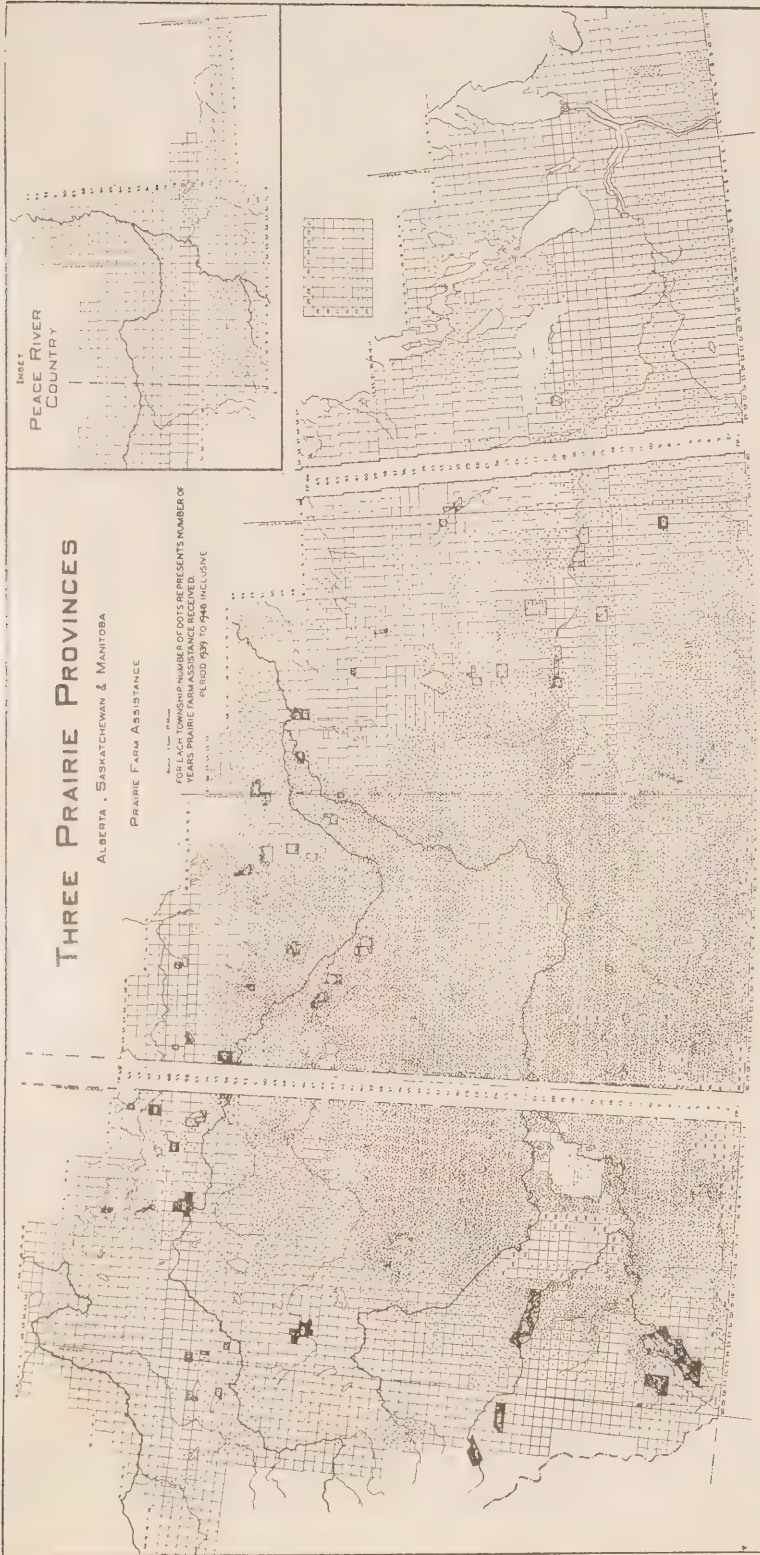
Cereal production on the prairie plains will always face such hazards as drought, hail, frost and insect pests. One of the chief hazards which early settlers faced was the short growing season with the resultant loss of crop through frost. The development of Marquis wheat substantially overcame this difficulty, only to have a new one arise in the form of rust. The development of rust resistant varieties has apparently almost eliminated this hazard and brought much greater productive stability to Manitoba and eastern Saskatchewan wheat lands. The depredations of grasshoppers and other pests have also played a significant part in reducing crop yields in many years, in spite of difficult and costly control campaigns. The greatest natural hazard to the prairie wheat economy is, however, the low annual rainfall, bringing drought conditions to wide areas in many years. Indeed, an appraisal of the crop history of Saskatchewan by regions shows clearly that in almost every year substantial areas of the Province suffer from deficiency of moisture.

In the drought and depression period of the 1930's the impact became so great and so persistent that the Parliament of Canada again took statutory cognizance of the situation in the passage of the Prairie Farm Assistance Act¹⁴ which became operative in 1939. This Act, designed to relieve the impact of crop loss, is again a reflection of the national importance of maintaining agriculture in adverse crop years. The legislation provided benefit payments on a sliding scale depending on yield to assist farmers suffering crop loss to carry on until the next year's crop. In support of the fund from which payments are made farmers annually contribute one per cent. of the value of grain marketed.

The regional distribution of benefits under the Act are illustrated in Figure III, showing the number of years benefits have been paid in each township. Only eight of the 303 rural municipalities in the Province have not been eligible to receive crop failure payments in any year since 1939. Over the ten-year period that the federal scheme has now been in operation total benefits paid out to Saskatchewan farmers as a result of crop failures amount to about \$80 millions.

In spite of all the hazards, however, the capacity of this Province to produce high quality wheat in volume has dictated and will continue to dictate a wheat economy and nothing in the foreseeable future is likely to change this in any significant degree. With its great volume of specialized production and limited population, Saskatchewan is completely dependent upon outside markets for the disposal of her large wheat crops. The ability to reach those markets as cheaply as possible is vital to the economic health of the whole country.

¹⁴ *Statutes of Canada*, 1939, 3 Geo. VI, c. 50.



(DATA COURTESY PRAIRIE FARM ASSISTANCE BRANCH, DOMINION DEPARTMENT OF AGRICULTURE.)

FIGURE III.

The settlement of the West in the national interest as a wheat economy, the maintenance of that economy in the national interest in periods of stress, and the unceasing watchfulness of the Dominion to ensure the position of Canada's wheat in the markets of the world all attest to the fundamental importance of wheat to Canada as a whole as well as to the life of Saskatchewan and the other Prairie Provinces. It is probably true that no trade problem has given greater or more continuing concern to the Canadian people and their representatives than the placing of Canadian wheat on the markets of the world.

It seems clear that the wheat economy is vital to the welfare of Canada and that that economy must be maintained and strengthened by removing to the greatest degree possible the hazards, natural and economic, which it has faced over a long period of years and which from time to time still arise to threaten its continued existence.

Other agricultural activities will be appraised in sections following but, by every criterion which may be applied, wheat remains of paramount importance. Its importance to the Province of Saskatchewan, faced with all the inherent hazards of dependence on a one crop economy, as well as its importance to Canada both domestically and internationally, demand that the national transportation policy give full recognition to the part which wheat must continue to play in Canadian affairs.

4. The Livestock Industry

Development of the livestock industry in Saskatchewan over the past 40 years has been beset with many difficulties and marked by many reverses but, as Table XII indicates, its significance in the national economy shows a fairly steady growth. There was a slow but steady increase in the number of milch cows in Saskatchewan until 1936, after which severe drought forced heavy liquidation. The increase in the numbers of cattle other than milch cows was checked by the price collapse in the early nineteen-twenties and again, following a slow and painful recovery, by feed shortages following 1936, although recovering markedly under the stimulus of war prices after 1941 to reach a peak in 1947.

Hog production has been particularly sensitive to changing price relationships, and fluctuations in numbers have actually been much more marked from year to year than are revealed in the Table. For instance the number of hogs on farms in Saskatchewan rose to upwards of 1,750,000 in 1943 in the middle of the last prairie intercensal period. Sheep, while far less important than either cattle or hogs tend to show the same general trends as cattle.

While areas of greater concentration of production of various classes of livestock are discernible, the production of livestock tends to be scattered over the entire settled area of the Province.

The milch cow population of the Province is largest in the park areas of eastern and northern Saskatchewan. Except for specialized dairy herds, serving the larger centres of Regina and Saskatoon, most "milch" cows in the Province are dual purpose types, that is they may be used for milk production or beef.

Beef cattle are largely produced on the range lands of south-western Saskatchewan and in the park areas of the eastern and northern parts of the Province. The cattle population is relatively light in the prairie area

where wheat production predominates. Scarcity of water and hazards of feed production make a long term cattle production programme in those areas an uneconomic proposition for most farmers.

TABLE XII

Livestock Population of Canada and of Saskatchewan, 1906-1948.

Year	MILCH COWS			CATTLE OTHER THAN MILCH COWS		
	Canada	Saskatchewan	Percentage of Dominion Total	Canada	Saskatchewan	Percentage of Dominion Total
	Numbers	Numbers		Numbers	Numbers	
1906.....	2,702,500	112,600	4.2	4,499,100	360,300	8.0
1911.....	2,645,200	154,600	5.8	3,880,900	479,000	12.3
1916.....	2,880,600	285,700	9.9	4,618,300	727,300	15.7
1921.....	3,086,700	349,900	11.3	5,282,800	946,000	17.9
1926.....	3,373,000	406,000	12.0	4,444,600	754,100	17.0
1931.....	3,371,900	424,000	12.6	4,601,100	764,900	16.6
1936.....	3,805,400	564,800	14.8	5,023,600	970,200	19.3
1941.....	3,623,900	437,700	12.1	4,893,400	803,400	16.4
1946.....	3,711,400	399,000	10.8	5,953,600	1,100,000	18.5
1947.....	3,697,400	393,500	10.6	6,020,700	1,117,800	18.6
1948.....	3,700,700	387,000	10.5	5,769,600	1,049,500	18.2

Year	HOGS			SHEEP AND LAMBS		
	Canada	Saskatchewan	Percentage of Dominion Total	Canada	Saskatchewan	Percentage of Dominion Total
	Numbers	Numbers		Numbers	Numbers	
1906.....	3,378,800	123,900	3.7	2,543,000	121,300	4.8
1911.....	3,634,800	286,300	7.9	2,174,300	114,200	5.3
1916.....	3,561,800	530,700	14.9	2,333,900	124,200	5.3
1921.....	3,324,300	419,700	12.6	3,200,500	194,700	6.1
1926.....	4,036,700	597,700	14.8	2,829,700	161,800	5.7
1931.....	4,699,800	949,000	20.2	3,627,100	281,000	7.7
1936.....	4,135,800	666,800	16.1	3,159,400	342,300	10.8
1941.....	6,081,400	943,700	15.5	2,840,100	330,000	11.6
1946.....	4,910,200	523,300	10.7	2,941,500	334,600	11.4
1947.....	5,473,200	558,300	10.2	2,706,900	285,300	10.5
1948.....	4,463,100	396,100	8.9	2,250,800	253,300	11.3

Note: 1946, 1947, and 1948 statistics subject to revision.

SOURCES: *Census Reports* and *Reports* of the Agricultural Division (Dominion Bureau of Statistics, Ottawa).

Hog production tends to be concentrated in the eastern, north-eastern and northern areas with substantial wartime production in recent years in central Saskatchewan. Under certain price relationships hog production may take place in conjunction with grain growing. Hog production in such areas tends to fluctuate greatly, however, since the nature of the hog production cycle enables farmers to make rapid adjustments in response to price and market relationships.

Sheep and lambs are found largely in south-western, east-central and north-western Saskatchewan.

The regional distribution of livestock in Saskatchewan is indicative of the long-run influence of natural factors on the agricultural economy, while national and international policies and the trend of livestock prices and their relation to grain determine shorter-run production trends.

Table XIII, showing commercial marketings of livestock originating in Saskatchewan compared with Canada as a whole, reflects the importance of Saskatchewan in terms of Canada's meat supply both for domestic consumption and for export. Peak marketings of Saskatchewan hogs were reached in 1944, the decline since that time being most marked. Cattle marketings reached their peak in 1945, followed by a sharp decline in 1947 with a substantial recovery in 1948, although the drop in cattle on farms in the latter year (Table XII) reflects some liquidation of herds and a probable decline in marketings in the immediate future.

Saskatchewan marketings of calves, sheep and lambs reflect somewhat the same general trend as cattle marketings. The Province marketed 6,849 calves or 2.5 per cent. in 1921, 13.4 per cent. in 1945, and, after declines in 1946 and 1947, 108,290 or 12.9 per cent. of the Dominion total in 1948. For sheep and lambs the percentage rose from 4.1 per cent. in 1921 to 161,175 or 12.9 per cent. in 1945, declining to 78,117 or 9.8 per cent. of the Dominion total in 1948.

Livestock production in Saskatchewan involves, from the standpoint of rail transportation, four types of livestock movements, (1) from farm or ranch to eastern markets or for export, (2) from farm or ranch to western packing houses, (3) from western packers to consumers in western and eastern Canada and for export, (4) feeder stock to feed lots. The significance of transportation costs to the livestock economy is thus clearly indicated and must be considered, it is submitted, from the standpoint of the long run welfare of an important industry in the economy of Canada.

TABLE XIII

Commercial Livestock Marketings in Canada and Saskatchewan, 1921-1948.

Year	CATTLE			HOGS		
	Canada	Saskatchewan	Percentage of Dominion Total	Canada	Saskatchewan	Percentage of Dominion Total
	Numbers	Numbers		Numbers	Numbers	
1921.....	759,593	93,867	12.4	1,412,280	55,730	3.9
1926.....	1,052,663	210,904	20.0	2,699,480	278,449	10.3
1931.....	699,496	136,919	19.6	2,643,372	398,850	15.1
1936.....	1,282,552	313,101	24.4	3,796,952	570,013	15.0
1941.....	1,344,794	227,433	16.9	6,224,975	857,084	13.8
1942.....	1,288,617	252,186	19.6	6,232,087	964,632	15.5
1943.....	1,243,888	268,662	21.6	7,149,920	1,409,042	19.7
1944.....	1,528,947	378,907	24.8	8,863,830	1,934,114	21.8
1945.....	2,021,711	495,195	24.5	5,861,505	942,920	16.1
1946.....	1,900,768	481,405	25.3	4,465,159	513,828	11.5
1947.....	1,564,413	370,195	23.7	4,764,873	434,852	9.1
1948.....	2,056,995	464,536	22.6	4,774,445	356,576	7.5

SOURCES: *The Origin and Quality of Commercial Livestock Marketed in Canada* and *The Annual Market Review* (Dominion Department of Agriculture, Ottawa).

A broad appraisal of the position of the cattle producer in the Prairie Provinces offers striking examples of the varied problems, both economic and geographic, which influence many sections of the agricultural economy.

The livestock industry in western Canada even under normal conditions is faced with competitive disadvantages and market uncertainties. As has been pointed out by the Saskatchewan Stock Growers' Association,¹⁵ range cattle production is carried on in areas distant from available markets. Consequently, transportation costs are of particular significance in the Saskatchewan livestock industry.

Livestock and livestock products, unlike most industrial products, cannot be withheld from the market during periods of low prices and producers frequently are forced to sell at a loss. In the drought years of the nineteen-thirties the feed situation became so acute in Saskatchewan that stock growers were forced to liquidate a large proportion of the herds which they had built up with great effort over a long period of years. This represented actual capital disinvestment, the extent of which is clearly evident from the greatly reduced marketings immediately following 1937.

The ranching areas and bush lands of the Prairie Provinces offer many natural advantages to the raising of large numbers of high quality stock. The limits of production are being slowly but steadily expanded by the conservation and developmental policies of Provincial and Federal Governments. Provincial activities are in the main directed to measures to encourage the building of feed reserves and to improve the quality of live stock. Under the Federal Government's Prairie Farm Rehabilitation Act, community pastures have been established by reseeding inferior wheat lands to grass, thereby removing areas from uneconomic grain production and facilitating their use for stock raising. Many farmers and ranchers have also taken advantage of the provisions of the P.F.R.A. programme to develop small stock-watering dams to conserve spring run-off and store water. Evidence presented to the Commission by the Canadian Co-operative Processors Ltd. (formerly the Horse Co-operative Marketing Association) indicated the direct contribution to conservation of grazing resources made by their own industry. It was estimated that in one winter surplus horses in the three provinces consumed 500,000 tons of feed.¹⁶

The cumulative effects of these programmes and policies instituted in the interests of the national as well as the prairie economy are becoming apparent and, with the reduction as far as possible of physical and climatic hazards, the cattle industry can look forward to a greater measure of productive stability than it has experienced in the past.

The potentialities of prairie livestock production were demonstrated in the West during the war years when all previous records were beaten. Some reductions from the high levels were to be expected. Cyclical variations are inherent in livestock trends. Price fluctuations create uncertainties and, as indicated, the relationship of grain and feed prices influences production plans. To the extent that economic factors are favourable to livestock production, the broadening of the base of the agricultural economy is desirable.

The importance of the Prairie Provinces in the livestock and meat producing industry of Canada has already been indicated and the significance of livestock and livestock products in Canada's trade in world markets is widely recognized.

¹⁵ See *Brief to the Royal Commission on Transportation Submitted by the Saskatchewan Stock Growers' Association* (Swift Current, June, 1949, mimeo.).

¹⁶ See *Memorandum of Canadian Co-operative Processors Limited, Swift Current, Saskatchewan* (Swift Current, June, 1949, mimeo.).

Table XIV
EXPORTS OF CATTLE, CALVES AND BEEF FROM CANADA, 1913 TO 1948.

Year	CATTLE		CALVES		BEEF	
	Gr. Britain	U.S.A.	Gr. Britain	U.S.A.	Gr. Britain	U.S.A.
1913(1)	9,873	130,383	193,714	22,436	22,581	10,886,414
1914	.....	145,722	147,945	31,939	31,974	17,172,462
1915	1,752	179,016	193,852	55,860	55,903	29,460,025
1916	.....	104,227	106,278	60,343	60,343	45,836,492
1917	.....	148,077	150,044	47,123	47,123	12,743,863
1918	200,666	200,666	203,481	36,594	36,703	90,647,327
1919	159	453,606	467,642	78,703	78,848	23,648,752
1920	320	236,642	240,660	74,428	74,519	119,610,237
1921(2)	83,053	135,257	174,552	57,623	57,695	33,768,510
1922(3)	18,475	189,760	212,772	27,965	27,965	35,763,300
1923(4)	57,672	96,873	24,074	6,231,900	6,231,900	32,143,200
1924	79,435	97,847	160,771	24,219	24,219	26,340,900
1925	86,748	183,242	35,178	6,232,400	6,232,400	18,883,200
1926	79,985	92,962	62,313	10,303,200	10,303,200	29,772,000
1927	8,263	204,336	176,343	65,338	65,338	18,803,200
1928	405	166,469	216,209	75,885	75,885	84,627,700
1929	.....	160,103	162,632	90,433	90,433	10,125,200
1930	5,400	19,483	27,554	35,233	35,233	16,245,000
1931(5)	27,149	9,159	40,217	15,430	15,430	580,800
1932(6)	16,568	9,010	28,464	3,855	3,855	31,473,500
1933	50,317	6,686	59,158	4,821	4,821	24,668,500
1934	53,852	6,341	63,673	1,302	1,302	4,987,900
1935	6,704	102,934	112,771	2,26	2,26	352,100
1936	38,495	191,149	233,631	20,597	21,582	3,756,700
1937	9,610	208,552	222,112	50,511	51,783	4,466,400
1938	95,108	129,807	48,347	98,426	98,426	10,007,700
1939(8)	201,065	208,791	308,791	48,347	48,347	169,700
1940	133,856	155,261	155,261	53,398	53,398	1,854,800
1941	189,896	193,241	193,241	53,398	53,398	3,005,900
1942	158,173	161,406	161,406	53,398	53,398	1,230,700
1943	56,666x	60,385	60,385	53,398	53,398	435,500
1944(9)	52,123x	57,812	57,812	53,398	53,398	888,000
1945	68,719x	77,301	77,301	53,398	53,398	4,310,900
1946	95,154x	103,214	103,214	53,398	53,398	385,600
1947	74,105x	82,727	82,727	53,398	53,398	98,080,000
1948(10)	439,647	446,458	446,458	53,398	53,398	184,977,000

(1)—1913 to 1920: livestock exports to U.S. free of duty;
 (2)—1921: U.S. tariff of 30% imposed;
 (3)—1922: Fordney-McCumber Tariff imposed (over 1050 lb.—2c; under 1050 lb. 2½c per lb.);
 (4)—1923: British embargo on Canadian livestock removed;
 (5)—1931: Hawley-Smoot Tariff imposed (over 700 lb.—3c; under 700 lb. 2½c per lb.);
 (6)—1932: Ottawa Agreements;
 (7)—1936: U.S.-Can. Agreement (over 700 lb.—2c; 175 700 lb.—2½c per lb.);
 (8)—1939: Can.-U.S. Agreement (200-699 lb.—2½c; all others—1½c per lb.);
 (9)—1944: U.S.-Mexico Agreement (all classes, 1½c. Rates apply during "state of national emergency" in United States. Quantity subject to quota restrictions when national emergency removed).
 (10)—1948: All Classes 1½c per lb. Annual quota on 200-700 lb. cattle, 400,000 head; over 700 lb. cattle, 400,000 head. Any shipments over quota, 2½c per lb. Pure bred for breeding purposes, free.

*—Totals include exports to countries not specified.

x—Export figures are for purebred stock and dairy cattle.

Embargo placed on export of beef cattle and calves from Canada, September, 1942 to Aug. 16, 1948.

SOURCES: *Live Stock Market and Meat Trade Review* (Dominion Department of Agriculture, Ottawa).

It is perhaps necessary to emphasize that the geographical disadvantages of Saskatchewan's ranching areas would, in the past, have been materially reduced had trade in livestock been allowed to flow freely along natural channels. Transportation disabilities are not the necessary consequence of a mid-continental position. The natural export market for western livestock is the United States, and if barriers to north-south trade had not been imposed and traffic directed east and west, a much greater volume of Canadian cattle would undoubtedly have moved freely into this market. The extent to which Canadian cattle exports have been influenced by national policy, trade agreements, tariffs and embargoes may be seen from Table XIV.

Prices for cattle on the Canadian market have tended to be stronger during periods of high exports to the United States while restrictions on exports in periods of rising prices have been reflected in wide spreads between Canadian and United States market prices. The manner in which from time to time agriculture is used as an instrument of national policy is illustrated by the six-year period from September, 1942, to August 16, 1948, during which period there was an embargo on the export of commercial beef cattle and calves from Canada to the United States. Exports of purebred cattle and cattle for dairy purposes were, however, unrestricted and fairly large numbers moved across the border. It is significant, however, to note that the Dominion Department of Agriculture reported that "Ontario, Quebec and the Maritimes provided the majority of dairy cattle for export."¹⁷ Cattle growers of western Canada were thus effectively barred from their natural market for six years. The purpose of imposing this major restrictive measure on the cattle producers of Canada, the impact of which fell largely on the western stock growers, was two-fold. First, it preserved meat supplies for Canadians and for shipment to Great Britain and the Armed Forces. Secondly, it was a vital element in the maintenance of the price control policy insofar as meat price ceilings were concerned, and represented the Canadian stock growers' contribution to the success of this national policy. The impact of government policy on the producer in terms of lower returns than he would otherwise have received is sharply emphasized by the comparison of prices ruling on the Winnipeg, Toronto and Chicago markets (Table XV).

TABLE XV

Average Prices of Good Steers at Winnipeg, Toronto and Chicago, 1941 to 1948.

Year	Winnipeg	Toronto	Chicago
	Steers over 1,050 lb. per cwt.	Steers over 1,050 lb. per cwt.	Steers 1,200-1,500 lb. per cwt.
1941.....	\$ 8.21	\$ 8.90	\$ 11.35
1942.....	9.54	10.39	14.10
1943.....	11.09	11.99	15.85
1944.....	11.13	11.99	16.60
1945.....	11.40	12.20	16.90
1946.....	12.05	13.05	21.30
1947.....	13.44	14.63	28.95
1948.....	18.29	19.40	32.85

SOURCE: *Annual Market Review* (Dominion Department of Agriculture, Ottawa).

¹⁷ *Annual Market Review*, 1947 (Ottawa, Dominion Department of Agriculture, 1948) p. 4.

Table XVI

EXPORTS OF HOGS, BACON AND HAMS, AND PORK FROM CANADA, 1913 TO 1948

(Totals include exports to countries not specified)

Year	HOGS			BACON AND HAMS			PORK		
	Gr. Britain	U.S.A.	Total	Gr. Britain	U.S.A.	Total	Gr. Britain	U.S.A.	Total
		lb.	lb.	lb.	lb.	lb.	lb.	lb.	lb.
1913.....	3,162	3,694	27,351,843	99,515	27,514,266	4,228	372,636	876,143
1914.....	214,709	214,969	48,400,701	12,828,474	61,496,033	1,988,344	14,796,587	17,045,270
1915.....	62,285	62,763	137,421,044	2,264,233	140,242,888	10,850,396	3,677,097	15,197,566
1916.....	1,191	1,527	197,311,201	183,260	198,483,276	11,667,684	1,069,663	12,904,236
1917.....	14,192	14,894	216,388,087	650,407	219,464,343	9,179,747	2,009,481	12,070,115
1918.....	7,596	8,164	119,577,246	1,822,297	121,642,555	33,300,576	2,251,545	35,882,760
1919.....	28,887	29,542	240,729,586	2,942,707	245,289,578	1,385,590	3,742,018	6,774,030
1920.....	528	1,599	161,135,700	664,800	103,243,300	598,700	1,387,800	4,121,000
1921.....	2,479	3,164	191,736,000	219,300	103,123,000	164,600	594,000	2,970,000
1922.....	1,658	7,338	99,230,100	154,600	99,141,100	395,700	609,000	1,680,900
1923.....	329	7,564	111,968,800	282,400	100,304,800	2,072,000	709,000	3,342,100
1924.....	26,395	28,377	130,503,700	715,500	113,395,700	6,270,300	5,567,200	14,754,300
1925.....	87,594	89,323	130,503,700	1,277,600	132,522,900	7,909,600	7,014,300	17,286,400
1926.....	1,412	82,956	135,972	30,843,600	1,596,800	93,185,000	6,536,300	8,233,700	16,798,400
1927.....	194,637	195,136	37,073,600	4,162,500	58,011,800	6,823,900	15,523,500	24,569,900
1928.....	4	20,661	23,263	37,073,600	3,489,200	41,339,300	1,879,100	7,393,100	11,014,800
1929.....	2,018	5,322	25,822,900	2,333,800	28,772,700	4,040,600	3,632,300	10,184,700
1930.....	137	5,324	13,011,100	1,347,100	14,775,600	1,855,400	1,486,200	5,679,800
1931.....	1,402	5,598	10,961,700	1,173,900	12,775,200	859,800	1,249,000	4,763,200
1932.....	1,660	6,598	30,693,400	1,495,600	35,820,400	4,195,706	2,812,300	10,240,800
1933.....	99	4,631	70,524,700	868,500	73,297,200	2,116,100	882,600	6,005,400
1934.....	1,009	4,621	119,707,600	394,100	120,410,200	1,277,200	156,300	3,830,000
1935.....	14,999	19,622	121,321,900	392,000	125,337,500	512,800	3,865,500	7,097,300
1936.....	69,527	76,483	154,768,800	2,133,200	158,049,600	720,300	11,464,500	16,443,200
1937.....	75,802	82,863	192,198,700	2,337,000	195,616,900	942,600	17,368,000	23,524,600
1938.....	260	9,560	169,463,600	663,300	170,837,400	526,300	2,401,700	7,656,400
1939.....	124	9,820	186,173,000	550,900	187,821,500	526,300	2,330,500	7,206,400
1940.....	265	7,203	344,117,100	382,200	345,604,200	124,900	3,182,900	7,705,000
1941.....	33,867	37,210	460,800,206	1,042,600	464,604,200	.....	10,272,900	17,911,800
1942.....	170	9,990	521,951,300	61,300	528,193,800	.....	21,400	9,729,500
1943.....	520	9,326	560,301,800	.....	562,961,100	14,912,400	3,700	25,102,600
1944.....	241	9,735	692,310,300	.....	695,757,400	10,375,100	.....	22,707,200
1945.....	781	9,277	448,069,300	.....	449,834,600	4,500	.....	12,851,900
1946.....	1,628	7,693	288,029,100	.....	289,291,600	.....	900	9,137,700
1947.....	10	3,135	11,360	232,031,400	8,100	255,789,200	.....	9,400	13,336,800
1948.....	2,226	7,363	200,138,000	8,200	204,730,700	128,100	193,000	22,259,700

SOURCES: *Live Stock Market and Meat Trade Review* (Dominion Department of Agriculture, Ottawa).

The average spread between Winnipeg and Chicago in 1941 before the ban on Canadian beef cattle exports to the United States, was \$3.14 per cwt. For 1942, although the export ban did not go into effect until September, the average spread for the year increased to \$4.56. For 1943 the spread between Winnipeg and Chicago prices widened to \$4.76; for 1944, to \$5.47; for 1945, to \$5.50; for 1946, to \$9.25; for 1947, to \$15.51. The cattle embargo was removed from August 16, 1948 and access to United States markets resulted in strengthening of Canadian cattle prices. The spread between Winnipeg and Chicago monthly average prices which had varied from \$12.74 to \$19.18 in the first seven months of 1948 varied from \$3.60 to \$6.25 in the corresponding months of 1949.

With respect to the export market for meat, as a result of the ban on beef cattle exports to the United States Canadian beef moved to Great Britain in substantial quantities during the war. Since the war, however, this market has declined. Normally Canadian beef meets heavy competition on the British market and in the post-war period the dollar shortage has, of course, accentuated the difficulties faced by Great Britain in continuing purchases from Canada.

The export of live hogs has shown extremely wide fluctuations, as will be seen from Table XVI, but the export trade in bacon and hams has been an important one both from the standpoint of the hog producer and of the national economy. During the war years Canada supplied a large volume of bacon to the British market and it is highly desirable in the national interest that every effort be made to retain this market in peacetime to as great a degree as possible. There has, however, been a sharp drop in exports from nearly 700 million pounds of bacon and hams in 1944 to 200 million pounds in 1948. In periods of marketing difficulties, such as are now facing all lines of agricultural production, transportation costs, which as a result of distance are much higher than competitors' closer to seaboard, bear with particular severity on the prairie livestock economy and make it more difficult to meet competition in overseas markets at prices which will provide a reasonable return to the producer.

The Brief presented by Saskatchewan Co-operative Producers Limited (commonly known as the Wheat Pool) at the Regina Hearings of the Commission ¹⁸ pointed out that the significance of transportation charges on livestock could best be appraised when related to the value of the product. Table XVII indicates the prices of cattle of different grades at Winnipeg, the market value of a 1,075 lb. animal and the percentage of that value paid in freight charges, using the Greenstreet, Saskatchewan, to St. Boniface, Manitoba, movement as an example. In this table the actual rates obtaining before the 21 per cent. increase have been used in arriving at the percentage figures for the years up to and including 1947, and the increased rate for the year 1948.

This table shows clearly the impact of rigid transportation costs on a highly fluctuating cattle price structure. In periods of low prices freight charges constitute a high proportion of the value of the animals transported,

¹⁸ See *Submission of Saskatchewan Co-operative Producers Limited to the Royal Commission on Transportation* (Regina, June, 1949, mimeo.).

Table XVII
CATTLE PRICES AT WINNIPEG AND RELATIONSHIPS OF FREIGHT
CHARGES TO THE VALUE OF CATTLE, 1930 TO 1948

Year	Winnipeg Price per cwt.	Market value of 1,075 pound "Good", Steer	Percentage of Value Paid in Freight Charges	Year	Winnipeg Price per cwt.	Market value of 1,075 pound "Medium", Steer	Percentage of Value Paid in Freight Charges	Year	Winnipeg Price per cwt.	Market value of 1,075 pound "Medium", Cow	Percentage of Value Paid in Freight Charges
1930	6.98	75.03	6.9	1930	5.69	61.17	8.4	1930	4.24	45.58	11.3
1931	5.45	58.59	8.8	1931	4.41	47.41	10.9	1931	2.62	28.16	18.3
1932	4.87	52.35	9.9	1932	3.49	37.52	13.8	1932	2.06	22.14	23.3
1933	3.67	39.45	13.1	1933	2.67	28.70	18.0	1933	1.58	16.98	30.4
1934	4.16	44.72	11.5	1934	2.94	31.60	16.3	1934	1.74	18.70	27.6
1935	5.20	55.90	9.2	1935	3.86	41.49	12.4	1935	2.30	24.72	20.9
1936	4.54	48.80	10.6	1936	3.71	39.88	12.9	1936	2.27	24.40	21.1
1937	6.25	67.19	7.7	1937	4.92	52.89	9.8	1937	3.08	33.11	15.6
1938	5.29	56.87	9.1	1938	4.48	48.16	10.7	1938	3.06	32.89	15.7
1939	6.19	66.54	7.8	1939	5.39	57.94	8.9	1939	3.84	41.28	12.5
1940	6.92	74.39	6.9	1940	6.26	67.29	7.7	1940	4.12	44.29	11.7
1941	8.21	88.26	5.8	1941	7.47	80.30	6.4	1941	5.05	54.29	9.5
1942	9.54	102.55	5.0	1942	8.64	92.88	5.6	1942	6.66	71.59	7.2
1943	11.09	119.22	4.3	1943	10.15	109.11	4.7	1943	7.56	81.27	6.3
1944	11.13	119.65	4.3	1944	10.01	107.61	4.8	1944	7.13	76.65	6.7
1945	11.40	122.55	4.2	1945	10.00	107.50	4.8	1945	7.30	78.47	6.6
1946	12.05	129.54	4.0	1946	10.75	115.56	4.5	1946	7.95	85.46	6.0
1947	13.44	144.48	3.6	1947	11.65	125.24	4.1	1947	8.85	95.14	5.4
1948	18.29	196.62	3.2	1948	16.46	176.95	3.5	1948	13.26	142.55	4.4

NOTE: Freight charge based on Greenstreet Saskatchewan to St. Boniface
Manitoba—Rates up to and including 1947—48c per cwt. (C.P.R. No. W.9-A)
or \$5.16 on 1,075 lb. animal; 1948—58c per cwt. (C.P.R. No. W.9-B) or
\$6.23 on 1,075 lb. animal.

particularly of lower grade animals. In this connection it should be noted that the proportion of so-called "good" steers to the total number of cattle sold tends to decline during years of poor crops when insufficient feed for proper finishing is available. At all times large numbers of "medium" steers and "medium" cows are marketed taking, of course, the same freight charges per hundred weight as "good" steers but with a much larger percentage of the value of the animal absorbed in freight charges and a very much smaller net return to the producer. Thus, the proportion of the value of a "good" steer at Winnipeg paid in freight ranged from 13.1 per cent. in 1933 to 3.2 per cent. in 1948 while on "medium" cows it varied from 30.4 per cent. in 1933 to 4.4 per cent. in 1948.

Should there be a return to prices comparable to those ruling in the 1930's the proportion of the value represented by freight would be greater than shown above for these years unless the 21 per cent. award were reduced or removed, or a more favourable general level of prairie freight rates replaced the present structure.

Efforts to estimate a total freight bill arising from the movement of the products of any one industry from a given area present formidable difficulties. However, the Wheat Pool placed in evidence certain figures which indicated that freight on primary shipments alone of cattle, calves, hogs, sheep and lambs to stockyards and packing plants at the 1948 level of marketings would approximate \$1,677,000 exclusive of all the various related charges such as stop-offs, diversions, cleaning, sanding, partitions, and certain non-railway charges for loading and unloading and feed and water enroute.

The Pool Brief then goes on to state:

"It must be stressed, however, that the direct freight charges referred to above represent only a minor part of the total shipping costs which must be paid by the producer in the marketing of his livestock. Up to the present we have considered freight on livestock going *to the abattoir only*. We have not touched upon the cost of shipping processed meat and other products from the abattoir to the consumer—a cost which must also be borne by the primary producer." ¹⁹

In view of the fact that the large domestic centres of consumption are located in eastern Canada and processed meats generally move eastward for export, long and expensive rail hauls are involved on the bulk of our finished products.

The contention that the producer must bear the burden of freight charges on both primary livestock movements and on the movement of the finished product to markets is strongly supported by evidence of Intercontinental Packers given at Regina before the Board of Transport Commissioners in the 30 per cent. case, ²⁰

" . . . freight costs in relation to livestock slaughtered may vary in different plants throughout the Province, due to the type of business each individual plant might do. A large percentage of

¹⁹ *Ibid.*, pp. 20-1.

²⁰ See *Brief presented by Intercontinental Packers, Limited, Saskatoon, Sask. to the Board of Transport Commissioners* (Saskatoon, 1947, mimeo.) pp. 2-3.

our business in the period mentioned [1946] was export to England on which we pay freight to seaboard. If any substantial part of this product were to be marketed in the domestic market in Eastern Canada, the freight cost would be increased, due to the fact that the domestic rate is somewhat higher than the through export rate. It is only natural that an enterprise engaged largely in domestic business in the locality close to its plant would have a lower freight cost, due to the avoidance of long hauls. However, livestock production in Saskatchewan, in comparison to its population, is such that a comparatively large volume must either be exported to other countries or other parts of Canada. The handling costs govern the net return of the product, which in turn, governs the amount which can be paid for the livestock."

Western livestock areas are less favourably located in relation to the large domestic and European markets than either the Central or the Maritime Provinces. The competitive disadvantage of the western stock grower in comparison to his eastern competitor may be illustrated by a simple example. The freight rate (carloads) on livestock from Maple Creek, in south-western Saskatchewan to Toronto is \$1.36 per hundred pounds (supp. 10 to C.F.A. No. 116-A, C.T.C. No. 448). The freight rate (carloads) from Ailsa Craig, an important shipping point in western Ontario to Toronto is 24c (C.N.R. No. C.L. 30, C.T.C. No. E. 1438). Selling into the same market the western producer is at freight disadvantage of \$1.12 per one hundred pounds plus extra charges for feed and water enroute and losses due to shrinkage on the long haul from the prairies.

The average price of a "good" steer on the Toronto market in 1948 was \$19.40 per cwt. The Ailsa Craig farmer would realize \$19.16 after freight charges were paid whereas the Maple Creek rancher would receive \$18.04. The Ailsa Craig farmer's freight cost represented 1.24 per cent. of the gross price whereas the freight cost from Maple Creek was 7.01 per cent.

A comparison based on somewhat lower livestock prices may now be in order. In 1933 "good and choice" steers averaged \$4.63 at Toronto. The Ailsa Craig freight rate was 20c (C.N.R. No. C.L. 30, C.T.C. No. E. 1438) and the Maple Creek rate \$1.12½ (C.F.A. No. 116-A, C.T.C. No. 448). Thus, the Ailsa Craig farmer realized \$4.43 per hundred pounds and freight represented 4.32 per cent. of the gross. The Maple Creek rancher on the other hand would receive only \$3.50½ with freight representing 24.3 per cent. of the Toronto price. These comparisons are based on a superior grade of livestock. The enormous impact of fixed transportation charges on the western livestock economy during periods of low or even moderate prices and their effect on the competitive position of the western producer is thus brought sharply into focus. The inequity of applying the principle of horizontal increases to such a structure will also be immediately apparent. This point will be developed at a later stage in this Brief.

The significantly high proportion of cattle and hogs moving to market by rail in Saskatchewan compared with any of the other important livestock producing provinces is worthy of note. Thus in the heavy movement of cattle to stockyards Saskatchewan sends a greater number by rail than any other province while less than thirty per cent. move by truck—by far the lowest proportion of any important producing province. The movement

of cattle direct to packing plants is much less important in terms of total volume but again Saskatchewan's proportion moving by truck is lower than any of the large producing provinces. The movement of hogs to stockyards in Saskatchewan is unimportant in terms of volume. The figures show that by far the greater number of hogs are marketed at packing plants and that on this movement Saskatchewan ships both the smallest volume and the smallest proportion (25 per cent.) by truck of any important hog producing province in Canada.

Prior to the 1948 increase, freight rates on livestock were the same as existed in 1918 since an increase granted in 1920 was voluntarily removed by the railways—presumably as a recognition of the difficulties with which stock growers were faced and of the fact that continuation of higher rates would have been more than the industry could bear. The principle of maintaining the lowest possible freight rate on livestock is vital to the preservation of this industry, influenced as it is by considerations of national and international economic policy and separated, in part geographically and in part artificially, from its great natural markets.

As previously indicated many major marketing problems are presenting themselves in all fields of agricultural production. While productive capacity may be stabilized in some measure by agricultural techniques, marketing problems have been—and will probably continue to be—particularly resistant to permanent solutions.

It is only necessary to review the fluctuations in trade policies to be impressed by this lack of permanence (Table XIV). The harsh facts suggest that there has never been a steady market upon which the livestock producer could formulate any long-term plans. The high level of cattle marketings in 1948 is itself a reflection of instability. Instead of indicating economic well-being in the industry, it reveals uncertainty in the minds of livestock producers concerning future markets and prices. There is a danger that basic stock may be liquidated in the effort to dispose of herds before anticipated price declines become pronounced.

Sufficient has been said to indicate some of the problems with which the cattle producer has had to contend. Chief among these have been widely fluctuating prices, long periods of low prices, rapidly changing market outlets, shifts in national and international economic policy—with varying restrictions upon selling in the most favourable market, and, finally the persistent geographical disadvantages with respect to our domestic and European markets.

To the extent that diversification of agriculture is possible in Saskatchewan it must be brought about through livestock.²¹ Efforts of ranchers, farmers, organized agriculture, private organizations, as well as Provincial and Federal Governments, have been directed towards improving the position of the livestock industry and encouraging its development, not only for the sake of those directly engaged in it, but also to broaden the base of the agricultural economy in the interests of the Province and of Canada as a whole. The national transportation policy should contribute to these aims.

²¹ See *Submission of United Farmers of Canada (Saskatchewan Section) Limited to the Royal Commission of Inquiry on Transportation* (Saskatoon, June, 1949, mimeo.).

5. The Dairy Industry

The dairy industry is an important one in the economy of Canada and one in which the Prairie Provinces and Saskatchewan in particular play a significant part. The industry in Saskatchewan fulfills special functions in the dairy economy of Canada and operates under conditions peculiar to this Province which give rise to special problems in which transportation is intimately involved. The Saskatchewan Dairy Association in its Brief expressed the belief, substantiated by factual data, "that of the former nine provinces in the Dominion of Canada, the Dairy Industry in Saskatchewan by reason of economic, geographic and other disadvantages has been the most adversely affected by transportation costs and related difficulties."²²

As pointed out in the discussion of the livestock industry, milch cows in this Province are usually of the dual purpose type with specialized dairy herds on farms producing for fluid milk markets. Distribution of the milch cow population with the largest numbers in the park areas of eastern and northern Saskatchewan, is determined mainly by the physical features of the Province rather than proximity to consuming centres.

In the fluid milk trade of the larger urban centres, Saskatoon obtains its supply from areas surrounding the city and much of the milk is transported by truck, when weather permits, owing to the relatively short distances involved. Regina offers a contrast since much of the area surrounding that city is given over to wheat growing and most of the fluid milk supply reaches Regina by rail from areas east and north-east where the prairie plain gives way to the park belt. The average rail haul into Regina of fluid milk is approximately 40 to 50 miles.

As pointed out by the Saskatchewan Dairy Association in that Association's comprehensive Brief,²³ about 50 per cent. of the milk production of the Province goes into the manufacture of creamery butter. The distribution of the milch cow population over wide areas is the major factor determining the form in which the greater part of Saskatchewan's milk production is utilized. Except for supplying the relatively small fluid milk markets of the cities, the long distances involved in scattered farms and small supplies of milk make it uneconomic to collect and ship whole milk. This militates against the development of cheese factories and condenseries, the operation of which requires steady deliveries of whole milk in large volume every day. There are only a few small local cheese factories which operate in the northern part of the Province. It may be mentioned, incidentally, that this restrictive factor necessitates Saskatchewan consumers importing, mainly from eastern Canada, their requirements of cheese and condensed milk even though this Province produces a large surplus of the raw product. Utilization of surplus milk production in Saskatchewan demands, however, a concentrated form of the product which can be economically transported from farm to plant at convenient intervals. Cream, for the manufacture of creamery butter has provided the economic solution.

This situation is in sharp contrast to conditions in eastern provinces where concentrated production of milk and readily accessible processing plants

²² See *Submission of the Saskatchewan Dairy Association to the Royal Commission on Transportation* (Regina, June, 1949, mimeo.) p. 1.

²³ *Ibid.*, p. 3.

make possible the shipping of the whole milk to cheese factories, condenseries and creameries, and plants frequently combining the functions of each.

Table XVIII shows the annual production of creamery butter in Canada and Saskatchewan, the number of creameries operating in this Province, and the butter make per creamery.

Saskatchewan has been the third largest producer of creamery butter—exceeded only by the provinces of Ontario and Quebec—for almost a decade. Yet Ontario and Quebec, contributing well over 50 per cent. of the Dominion total, remain, like British Columbia, deficiency areas and their production contributes comparatively little to rail movement. On the other hand high levels of production and relatively small populations have placed Saskatchewan and the other Prairie Provinces in the position of surplus producers accounting for a very large proportion of all butter shipped by rail in the Dominion.

TABLE XVIII

Creamery Butter Production Canada and Saskatchewan, Number of Creameries and Production Per Creamery in Saskatchewan, 1921 to 1948.

Year	CANADA	SASKATCHEWAN			
	Creamery Butter Production lb.	Creamery Butter Production lb.	Per cent. of Dominion Total	Creameries in Operation	Production Per Creamery lb.
1921.....	128,744,610	7,030,053	5.5	55	127,819
1926.....	177,209,287	16,629,136	9.4	81	205,298
1931.....	225,955,246	18,960,352	8.4	68	278,829
1936.....	250,931,777	24,097,537	9.6	61	395,042
1941.....	285,848,196	37,126,694	13.0	61	608,634
1942.....	284,591,372	41,306,186	14.5	62	666,229
1943.....	311,709,476	47,721,150	15.3	62	769,696
1944.....	298,777,262	48,264,062	16.2	62	778,453
1945.....	293,782,846	41,074,023	14.0	64	641,782
1946.....	271,464,399	37,025,440	13.6	63	587,705
1947.....	290,952,691	36,330,105	12.5	63	576,668
1948*.....	284,431,000	34,116,000	12.0	63	541,524

*—Preliminary.

SOURCES: *Statistics of Dairy Factories* and *Statistical Supplement, Monthly Dairy Review* (Dominion Bureau of Statistics, Ottawa).

Table XIX indicates that Saskatchewan's net exports of butter by rail for the period 1932 to 1947 represented a full two-thirds (67 per cent.) of the annual creamery butter production of the Province without taking into consideration less-than-carload and truck shipments. Preliminary figures for 1948 show such net exports at 59 per cent. of the total make. The comparable figure for Manitoba for 1932-47 was 43 per cent. and for 1948, 36 per cent. For Alberta net exports by rail represented 57 per cent. in the period 1932-47 and 48 per cent. in 1948. Thus, in terms of volume and of proportion of the total make Saskatchewan holds the leading position insofar as rail shipments out of the Province are concerned.

Of the total butter loaded at stations in Canada for the period 1932 to 1947 ²⁴ inclusive almost 31 per cent. was loaded at stations in Saskatchewan. The comparable figure for 1948 was 34 per cent.

²⁴ See *Summary of Monthly Railway Traffic Reports* (Dominion Bureau of Statistics, Ottawa).

TABLE XIX

Creamery Butter Make and Net Exports of Butter by Rail, Manitoba, Saskatchewan and Alberta, 1932-1948.

Manitoba		Saskatchewan		Alberta	
Creamery Butter Make lb.	Net Exports by Rail lb.	Creamery Butter Make lb.	Net Exports by Rail lb.	Creamery Butter Make lb.	Net Exports by Rail lb.
1932-47					
415,562,274	180,236,000	494,650,344	330,092,000	482,422,318	273,630,000
Annual Average					
25,972,642	11,264,750	30,915,646	20,630,750	30,151,395	17,101,875
1948*					
25,351,000	9,054,000	34,116,000	19,964,000	32,414,000	15,626,000

*—Preliminary.

SOURCES: Compiled from *Statistics of Dairy Factories; Statistical Supplement, Monthly Dairy Review* and *Summary of Monthly Railway Traffic Reports* (Dominion Bureau of Statistics, Ottawa).

Table XX gives the net imports by rail of the three major deficiency provinces.

TABLE XX

Net Butter Imports by Rail, Quebec, Ontario and British Columbia, 1932-1948.

	Quebec lb.	Ontario lb.	British Columbia lb.
1932-47.....	117,078,000	257,988,000	300,178,000
Annual Average.....	7,317,375	16,124,250	18,761,125
1948.....	1,682,000	25,490,000	21,226,000

SOURCE: *Summary of Monthly Railway Traffic Reports* (Dominion Bureau of Statistics, Ottawa).

British Columbia is a heavy net importer of creamery butter and in supplying that demand Alberta has an obvious geographic advantage over Saskatchewan. The Saskatchewan Dairy Association points out at page 5 of its Brief:

"The point on the Prairies at which transportation costs equalize as between Eastern and Western markets approximates the Manitoba-Saskatchewan provincial boundary, indicating that from the standpoint of shipping costs all creameries located in the province of Saskatchewan may more advantageously move their surplus creamery butter to the West or Pacific Coast."

As a result of its freight advantage westward Alberta's natural market is British Columbia. From the standpoint of freight rates, as indicated in the Dairy Association Brief, Saskatchewan could also ship more advantageously to the Pacific coast than eastward but the British Columbia market is insufficient to absorb all of Saskatchewan's surplus in addition to that of Alberta. Such butter as Saskatchewan does ship to the west (roughly one-third of her surplus) must compete with the Alberta product and move at a freight disadvantage as well. The balance of two-thirds of the Saskatchewan surplus must find its market in the deficiency provinces of eastern Canada.

In these markets the Saskatchewan product competes with butter from Manitoba which Province, as a result of her geographic position, has a freight advantage on the eastern haul. In the words of the Dairy Association Brief,

"Under normal circumstances, the Dairy Industry of Manitoba has only one market for surplus production. The same is true of Alberta. This is not so of Saskatchewan where at least one-third of the cream from which butter is made must be purchased in competition with Alberta plants which enjoy on the average approximately .55 cents—five to six tenths of a cent—per pound transportation cost advantage to the Pacific Coast with the remaining two-thirds being in competition with Manitoba creameries who enjoy a similar transportation advantage to the Eastern markets.

"These facts clearly indicate that while the point at which transportation costs equalize on the Prairie is the Manitoba-Saskatchewan provincial boundary, the deficiency and surplus factors actually result in the division taking place more nearly in the centre of the province of Saskatchewan." (pp. 5-6)

Thus, not only does Saskatchewan ship out of the Province a greater volume of butter and a greater proportion of the total make than do other provinces, but owing to geographical location this exportable surplus must move longer distances by rail and at higher rates than those paid by competing provinces. Consequently the apex of the freight structure for butter movements falls within Saskatchewan, shifting back and forth across the Province as the relative levels of demand vary between the eastern provinces and British Columbia. Furthermore, when the factor of volume is also considered, it is obvious that total transportation charges, and therefore the contribution to railway revenue, for the movement of Saskatchewan butter are greater than in the case of any other province in Canada.

The heavy impact of transportation charges borne by Saskatchewan relative to other provinces cannot be measured fully, however, solely in terms of charges on the product, creamery butter, moving to centres of consumption. The Saskatchewan Dairy Association deals with this in the following paragraph at pages 15 and 16 of its Brief:

"It is possibly unnecessary to point out that in the province of Saskatchewan where industrial development is largely lacking, all items entering into dairy or creamery processing excepting labour carry single or multiple transportation costs involving either freight or express and in many instances both. In the butter industry, the dominant branch in Saskatchewan, there are three main items involved:

1. Transportation charges on the incoming raw material, namely milk and cream.
2. Transportation charges on materials used during processing and packaging (wooden boxes, salt, washing compounds, neutralizers, box liners, butter wrappers, cardboard containers, etc.) and all heavy dairy equipment.
3. Transportation on the outgoing finished product."

Transportation on the outgoing finished product has already been discussed. About 50 per cent. of the cream, according to the Association,

moves to creameries by rail. Processing and packaging materials practically all come from outside of the Province, in many cases from considerable distances. The Association summarized transportation costs in the following manner at page 17 of its Brief:

"The cumulative transportation charges presently assessed by the railways either as express or freight on a pound of Saskatchewan creamery butter involve approximately 4.97 cents a pound, originating in this manner:

Incoming express on raw material, cream.....	1.50c
Incoming freight, etc., on essential supplies.....	0.195c
Carlot transportation on surplus finished product to market.....	3.156c
Additional railway service charges.....	0.12c

4.971c"

At present floor prices for butter the transportation factor of 4.971 cents represents 8.6 per cent. of the price of a pound of creamery butter. Butter prices have already been influenced by the new competitor, margarine, and the ultimate course of creamery butter prices is impossible to predict. Should prices again decline to the 30 cent level quoted on the Toronto and Montreal markets as late as 1941, or the much lower levels of the nineteen-thirties, the impact of transportation costs would be proportionately much greater. The Saskatchewan producer is at a serious disadvantage in relation to competitors closer to consuming centres in eastern and western deficiency areas. This burden is sharply enhanced as prices for the product decline and other costs including freight rates tend to remain rigid.

The dairy industry is an important branch of the agricultural economy of Canada. Its products represent the greatest source of protective foods necessary to the health of the nation. Consumption is largely domestic, in contrast to many other agricultural products. In fact deficiencies in production to meet domestic needs have at times occurred. The distribution of production in relation to population has brought about an extensive traffic in dairy products, in which there is complete dependence on rail for the major movement—that between the Prairie Provinces producing in surplus, and the eastern provinces and British Columbia importing on a large scale. A measure of relief in the matter of transportation costs, which represent such a large part of the overall costs in the dairy industry of western Canada, would be in the interest of an important industry and in the national interest as a whole.

6. The Poultry Industry

With respect to the Saskatchewan Poultry Industry it should be noted at the outset that sound policies to promote quality and facilitate efficient marketing have, in recent years, assisted poultry raising to emerge from the position it once held as an unimportant sideline chiefly aimed at supplying the farm requirements, with any surplus being sold or used as a medium of exchange at the country store. To service poultry raising there has grown up an important hatchery industry, and in the marketing of its products a substantial produce trade has developed. In 1948 the poultry population of Saskatchewan was just under 10 millions or approximately 14 per cent. of the Dominion total.

The Saskatchewan Poultry Board in its Brief to the Commission appraised the advantages and disadvantages faced by the poultry industry in Saskatchewan:

"Conditions in Saskatchewan, in the light of recent advances in poultry husbandry, are very favourable for development of the poultry industry, with long hours of sunshine, abundance of comparatively inexpensive land for ranges, and cheaper feeds. Saskatchewan poultrymen, however, have laboured under many difficulties not encountered in localities more favourably situated as regards markets. Saskatchewan has no large urban consuming centres and producers have to face the fact that surplus production must be shipped long distances to outside markets involving extra care in handling, extra costs in refrigeration and extra charges in freight rates not borne by more favourably located competitors."²⁵

Eggs and poultry are produced in this Province almost entirely by small farm flocks. There are only a very few so-called commercial flocks and these are, in general, located close to the larger centres of population. Consequently the production of eggs takes place over a wide area and on a great many farms most of which are far removed from any large population centre.

In eastern Canada particularly Ontario and Quebec, the industry is much larger and is confined to a much smaller area. There is little or no initial rail movement of either eggs or live poultry for the reason that most producers live very close to registered killing and grading stations and can deliver most of their produce directly. Good roads, open 12 months of the year, allow most of the assembly to be done by truck which is not the case in Saskatchewan. Most of the initial movement in this Province must be by rail for the reason that roads are impassable over several months of the year.

As compared with eastern Canada there are no large consuming centres in Saskatchewan, and such urban centres as Saskatoon and Regina are largely supplied by producers living within 25 or 30 miles of the city. This leaves a very large area of production from which eggs and poultry must be shipped long distances whereas in eastern Canada, particularly Ontario and Quebec, most producers are within a radius of a few miles from the large consuming centres.

Transportation costs are an important factor in the assembling of eggs in Saskatchewan. In the first instance eggs must be moved from various country shipping points to registered egg grading stations, of which there were some 130 in the Province in 1948. This shipment is almost entirely by express but since small shipments move at a fixed minimum charge within the Province, distance is not usually a determining factor in the cost of this initial movement. Many grading stations do not, however, receive sufficient volume to make up carload lots so that eggs must be moved by L.C.L. shipment to assembly points, of which there were 42 in the Province in 1948. An assembly station may itself load only one car in the peak of the season and then revert to shipping L.C.L. to other points. For example all 42 assembly points were loading in mid-April of 1948 but by June this number had been cut in half, with a resulting increase in L.C.L. shipments.

²⁵ See *The Saskatchewan Poultry Board Submission to the Royal Commission on Transportation* (Regina, June, 1949, mimeo.) pp. 4-5.

Insofar as poultry meats are concerned the initial movement is considerably longer. In the interests of quality, producers have been encouraged to have their poultry killed in a registered killing plant and today the bulk of poultry is handled in that way. There were 25 killing plants in operation in 1948 which necessitated live birds being moved considerable distances, largely by express.

Transportation of Saskatchewan eggs and dressed poultry to eastern domestic and to export markets must be entirely by rail. The great distances also involve icing or heating charges on the product. In the East many shipments can be made to the large domestic consuming centres and even to the United States by truck because of the short haul.

Saskatchewan eggs must be sold in competition with those of Manitoba and Alberta on the eastern and export markets. This puts Saskatchewan at a geographic disadvantage over Manitoba but at an advantage over Alberta. Recently Alberta has been marketing an increasing volume of eggs in British Columbia so that a closer market for at least some of Alberta's production is at hand.

All movements of poultry products out of the Province must undergo Dominion Government inspection and Table XXI showing inspections of dressed poultry reflects quite accurately the volume exported from the Province.

TABLE XXI

Volume of Dressed Poultry under Dominion Inspection in Saskatchewan, 1946 to 1948.

	1946 lb.	1947 lb.	1948 lb.
Chicken.....	1,698,843	2,316,014	1,463,384
Fowl.....	1,776,273	2,175,577	3,028,672
Turkeys.....	2,848,130	3,787,338	2,678,993
Ducks.....	12,344	7,393	6,143
Geese.....	50,284	30,509	21,108
Totals.....	6,385,874	8,316,831	7,198,300

SOURCE: By correspondence with Dominion Department of Agriculture, Marketing Service.

The principal markets for Saskatchewan eggs, over the years, have been the large population centres of eastern Canada, mainly Toronto and Montreal although during the early war years poultry flock owners were encouraged to increase their production of eggs and of poultry meat to supply the very large market for eggs in the United Kingdom, which had formerly been supplied by Poland, France, Denmark and the Netherlands.

All eggs moving out of the Province in more than 99 case lots must be inspected by the Dominion Poultry Marketing Service. Table XXII shows the total inspections of eggs for shipment out of the Province and, since all eggs inspected for the Special Products Board are delivered to the British Ministry of Food, the development of the British market as an outlet for Saskatchewan.

TABLE XXII

Dominion Inspection of Eggs in Saskatchewan, 1941 to 1948.

Year	Total Eggs Inspected cases of 30 doz.	Inspected for Delivery to Special Products Board cases of 30 doz.
1941.....	293,232	68,992
1942.....	491,218	279,147
1943.....	539,485	277,134
1944.....	677,457	543,016
1945.....	661,482	473,209
1946.....	404,356	254,283
1947.....	387,850	227,606
1948.....	367,997	230,381

NOTE: Not all eggs move as shell eggs. In 1948 approximately 37 per cent. were moved out of province as dried eggs and 12 per cent. as fresh frozen eggs.

SOURCES: By correspondence with Dominion Department of Agriculture, Marketing Service, and *Annual Report of the Poultry Commissioner*, Saskatchewan Department of Agriculture.

The market for poultry meat is almost entirely the large consuming centres of eastern Canada. For a time during the war years the British Ministry of Food made substantial purchases but these were discontinued in 1947.

The American market has always exerted a considerable influence on Canadian prices but has never absorbed any appreciable quantity of Saskatchewan eggs or poultry. Few eggs are shipped directly to the American market because egg price fluctuations in United States urban centres are marked. Any eggs that do move to that market usually go from Ontario and Quebec to eastern United States centres, with western eggs going to eastern Canada to make up the resulting deficiency.

Varying amounts of poultry meat have moved to the American market over the years. With the loss of the British market, however, and a greater volume coming forward, a greatly increased movement to the United States became apparent in 1947 and 1948. During 1948 the greatest Canadian export of poultry meats on record was made, almost entirely to the American market. This volume was largely made up of live poultry from Ontario and Quebec to eastern United States centres. A very small quantity of dressed poultry moved from the western provinces to the United States. The Saskatchewan market continued to be eastern Canada with poultry meats from this Province moving to the Toronto and Montreal markets.

The British market has been the principal market for eggs since the inception of the contracts with the British Ministry of Food in 1941. These contracts, have in effect, taken all the surplus production of Saskatchewan and the other provinces until the present time. Production was expanded to meet these contracts. The British Ministry of Food is still buying eggs in Canada, although in sharply reduced volume, and will continue to do so until the end of the present year. Future prospects in this market are not promising and it appears probable that by 1950 Saskatchewan will again have to look to eastern Canada for a market for all her surplus eggs.

Thus far, this discussion has dealt with the transportation problems involved in the marketing of the products of the poultry industry. Transportation costs however enter into the industry at two other important points. As the Poultry Board pointed out at Regina, rail transportation charges, either express or freight, are a significant part of the cost of raising and procuring baby chicks from hatcheries. All hatchery equipment and all packaging supplies for the shipment of baby chicks from hatchery to farm must be brought into the Province by rail. In addition to these indirect transportation costs the producer must bear the express charges on chicks from hatchery to farm. Having received his chicks from the hatcheries the producer must provide himself with specialized equipment in the form of brooders, stoves, feeders and other items which are manufactured largely in eastern Canada.

Although feed grains are produced in Saskatchewan in great volume on most farms, scientific poultry raising requires specialized feeding practices if quality of product is to result. Feed grain must be supplemented by concentrated proteins and vitamins and many poultry raisers are now finding it desirable to buy feeds ready mixed. The necessity for procuring these supplements or the ready mixed feed, and sometimes even the grain itself, in small and frequent shipments accentuates the incidence of transportation costs to the poultry farmer. The Brief of the Poultry Board summarized the transportation problems of the industry in two sentences:

"The movement of eggs and poultry products and the supplies necessary to their production and handling are dependent almost entirely on the railways in this province. The transportation charges against the product and the feed and supplies necessary to its production are as high or higher than for any of the other provinces." (p. 5)

Substantial progress has been made in the poultry industry in Saskatchewan. The impetus given by wartime demand and favourable prices raised the status of the poultry industry to a new level. The loss of the important British market for poultry meat and the reduction in the contract for eggs leaves the industry in a vulnerable position with the future unpredictable. Even at best the Saskatchewan producer is at a serious competitive disadvantage compared with the eastern producer. With heavy and relatively fixed transportation costs the Saskatchewan poultrymen will certainly be among the first to feel the effect of reduced market demand and the problems and burdens which inevitably result from lower prices.

7. Other Agricultural Products

The Forage Crop Seed Industry:

Although production of forage crop seeds is not a major industry in terms of the total agricultural income of the Province, the growing of alfalfa, clovers of various kinds, brome grass, crested wheat grass, timothy, western rye grass, etc., for seed has achieved an important place in the economic life of northern Saskatchewan. The industry is comparatively new but has shown rapid expansion and represents a successful effort to adapt agricultural production to soil and climatic conditions.

The relative position of each of the Prairie Provinces in the production of forage crop seed over the last decade is shown in Table XXIV, reproduced from the Joint Presentation of the Seed Growers Associations.²⁶

The importance of the export market to forage crop seed producers is indicated by a comparison of exports shown in Table XXIII with western production figures.

TABLE XXIII

Exports of Principal Forage Crop Seeds from Canada for Crops 1937 to 1947, and Exports from the 1948 Crop to the end of February, 1949.
(000 pounds)

	Alfalfa	Sweet Clover	Brome	Red Clover	Alsike	Crested Wheat	Totals
1937.....	3,347			993	1,210		
1938.....	3,267			301	4,324		
1939.....	3,364	3,694	3,803	1,334	2,857	1,542	16,594
1940.....	1,574	450	2,973	252	654	1,291	7,194
1941.....	7,998	766	4,511	3,332	3,161	777	20,545
1942.....	2,256	1,985	6,845	.....	51	1,229	12,366
1943.....	584	4,363	5,697	83	690	1,492	12,909
1944.....	4,979	8,880	6,661	2,362	104	583	23,569
1945.....	5,140	11,061	7,928	880	656	1,081	26,746
1946.....	4,020	10,422	6,663	3,773	2,044	199	27,121
1947.....	7,945	13,409	4,550	2,330	1,624	68	29,926
1948*.....	15,638	21,923	5,628	6,369	6,084	90	55,732

*—To end of February 1949.

SOURCE: *Joint Presentation, Seed Growers Associations.*

Most forage crop producers in Saskatchewan operate small acreages on northern bush soils for the most part unsuited to the growing of staple crops such as wheat. Such producers consequently depend on these seed crops for the greater part—and in many cases all—of their income. While individual acreages are small, resulting in low per capita income, transportation charges on the product are high, and have recently undergone a major increase as a result of the lapsing of the special seed tariff. Actually freight costs represent by far the largest item involved in the processing, handling and marketing of these specialized crops.

Saskatchewan and Alberta are now recognized as the chief producers of forage crop seeds and both Provinces labour under the disability of long rail hauls to their markets. Seed producers are contributing not only towards the economic development of the north but with their products make possible effective soil conservation and soil improvement programmes on grain growing land elsewhere in Canada and the United States and even in parts of Europe where forage crop seeds from Saskatchewan are used.

²⁶ See *Joint Presentation of Alberta Crop Improvement Association, Alberta Seed Growers Co-operative Limited, Alberta Branch Canadian Seed Growers Association, Saskatchewan Seed Grain Co-operative Limited, Saskatchewan Forage Crop Growers Co-operative Marketing Assn., Saskatchewan Branch Canadian Seed Growers Assn., Manitoba Crop Improvement Association, Manitoba Branch Canadian Seed Growers Association to the Royal Commission on Transportation* (Winnipeg, June, 1949, mimeo.).

TABLE XXIV
Production of Principal Forage Crop Seeds in Manitoba, Saskatchewan
and Alberta, 1937 to 1948.
(000 pounds)

	Alfalfa		Sweet Clover		Brome		Red Clover		Alsike Clover		Crested Wheat		
	Man.	Sask.	Man.	Sask.	Man.	Sask.	Man.	Sask.	Man.	Sask.	Man.	Sask.	Alta.
1937.....	350	900	6,000	381	459	650	146	400	15	.....	63	380	200
1938.....	400	2,300	8,500	300	1,300	350	500	1,500	100	.....	75	1,300	370
1939.....	1,650	1,125	5,525	300	545	1,338	1,500	1,300	60	.....	200	1,600	655
1940.....	950	1,900	3,684	200	450	1,310	1,440	3,002	150	.....	172	1,402	440
1941.....	1,290	5,000	1,523	200	320	2,949	1,504	3,025	200	26	205	1,700	400
1942.....	960	528	1,728	954	2,614	2,421	3,630	4,024	208	134	364	1,947	286
1943.....	700	2,135	3,500	1,434	1,500	2,500	3,929	4,000	10	15	240	1,954	300
1944.....	1,300	3,770	5,200	1,200	4,000	2,500	4,500	4,000	100	30	200	1,900	250
1945.....	1,200	2,500	4,000	500	5,000	3,000	3,000	4,000	100	100	200	1,750	200
1946.....	1,600	2,200	2,500	1,500	3,000	1,300	3,500	4,000	100	200	50	1,000	50
1947.....	2,100	5,100	5,000	2,000	6,250	1,500	2,000	4,000	90	500	25	500	50
1948*.....	2,150	7,200	7,800	3,800	10,000	1,800	2,000	4,000	90	500	120	500	.....

*—Preliminary.

SOURCE *Joint Presentation, Seed Growers Associations.*

Opportunities for the growing of specialized crops in the northern part of the Province have contributed to the growth of population in that area. While the movement of specialized crops bears a heavy freight rate, a more significant factor from the standpoint of the railways, is that this type of production supports a permanent population of greater density thus promoting a larger volume of traffic of both producer and consumer goods.

The Honey Industry:

Honey production, like the growing of forage crop seeds, is not a major industry in Saskatchewan but several hundred beekeepers, operating up to 1,000 colonies each, derive their whole livelihood and more than 11,000 other farmers secure a portion of their income from the industry.

As pointed out in the Submission of the Saskatchewan Honey Producers Co-operative Marketing Association, Ltd., bees have a two-fold value. In addition to their obvious use as producers of honey and wax they also act as pollinators and are thus of important economic value particularly to the alfalfa and clover seed industries. The Association pointed out:

"The value of bees as pollinators is generally considered to exceed their value as honey producers. An abundance of bees is necessary to ensure a full set of seed on clovers, rape and alfalfa. The role of bees in pollinating is likely to become even more important in the future as legume growing becomes more common and as the wild bee population is further depleted by land clearing operations." 27

Honey production is subject to wide seasonal variations, being extremely sensitive to weather and crop conditions in the clover and alfalfa districts. For example, in the disastrous crop year, 1937, Saskatchewan produced only 1,142,000 pounds of honey, while in the following year, with about the same number of colonies, production more than doubled, amounting to 2,794,000 pounds. The peak year in production came in 1945 with 7,328,000 pounds.

TABLE XXV

Honey Production Canada and Saskatchewan, Prices and Value of Saskatchewan Honey Crop and Number of Beekeepers, 1926-1948.

Year	CANADA		SASKATCHEWAN			
	Production 000 lb.	Production 000 lb.	Per Cent. of Dominion Total	Price c.	Value \$000	Number of Beekeepers
1926.....	19,526	170	.9	22	38	870
1931.....	31,324	610	1.9	12	73	1,470
1936.....	37,995	2,636	6.9	10	264	3,000
1941.....	33,221	2,967	8.9	12	348	4,820
1942.....	28,049	4,947	17.6	12	620	5,760
1943.....	39,492	5,365	13.6	15	815	7,250
1944.....	36,264	4,376	12.1	16	700	9,920
1945.....	33,020	7,328	22.2	17	1,253	11,390
1946.....	23,975	3,953	16.5	18	712	12,020
1947.....	37,078	6,232	16.8	25	1,558	11,000
1948(1).....	43,938	5,038	11.5	(2)	(2)	8,340

(1) Preliminary. (2) Not available.

SOURCE: *Quarterly Bulletin of Agricultural Statistics* (Dominion Bureau of Statistics, Ottawa), and correspondence with Dominion Statistician, August, 1949.

27 See *Submission of the Saskatchewan Honey Producers Co-operative Marketing Association Limited to the Royal Commission on Transportation* (Regina, June, 1949, mimeo.) p. 1.

Table XXV shows the production of honey in Saskatchewan and Canada and the price and value of the Saskatchewan honey crop together with a record of the number of beekeepers.

Variations in production, however, have not provided the only problem with which the industry must contend. Prices tend to go in cycles. For a long period prior to 1943 honey prices were low, never going above 12 cents and falling as low as 8 cents per pound. The problems of producers were further aggravated by the fact that low prices and low production frequently coincided.

The relatively favourable showing of the honey producing industry in the past few years was, in large measure, the result of the world shortage of sugar. How much of the improvement can be maintained under normal conditions is problematical.

Geography imposes a serious handicap on Saskatchewan beekeeping. The honey producing areas are remote from sources of supplies and from the larger centres of consumption which constitute the principal markets. The relative burden of transportation costs on the honey industry was set forth in a very comprehensive manner by the honey producers. A sharp drop in honey prices would add seriously to this burden.

8. The Non-Agricultural Economy

A. Manufacturing and Processing:

The average contribution of Saskatchewan to the total gross value of manufacturing production of the Dominion over the past twenty years has been rather less than 2 per cent. (See Table XXVI).

TABLE XXVI

Gross Value of Manufacturing Production, Canada and Saskatchewan, 1925-1947.

Year	Canada	Saskatchewan
1925.....	\$ 2,816,864,958	\$ 36,733,711
1930.....	3,280,236,603	56,806,380
1935.....	2,653,911,209	42,031,223
1939.....	3,474,783,528	60,650,589
1940.....	4,529,173,316	76,284,332
1941.....	6,076,308,124	96,020,975
1942.....	7,553,794,972	120,256,733
1943.....	8,732,860,999	152,123,360
1944.....	9,073,692,519	175,349,234
1945.....	8,250,368,866	167,688,133
1946.....	8,035,692,471	168,356,619
1947.....	10,081,026,580	196,452,199

SOURCES: *Canada Year Book* and, for 1946 and 1947 correspondence with Dominion Statistician, August, 1949.

Table XXVII, showing the geographical distribution of manufacturing by provinces in Canada in 1947 (the latest year for which this information is available) shows that the value of production, net and gross, in Saskatchewan is the smallest in the Dominion except for Prince Edward Island. The gross value of manufactured goods in Saskatchewan was approximately \$196 millions or 1.9 per cent. of the Dominion total compared with \$296 millions, or 2.9 per cent. for Alberta, and \$383 millions, or approximately 3.8 per cent. of the national total, for Manitoba.

TABLE XXVII

Geographical Distribution of the Manufacturing Industries of Canada, 1947.

Province	Establishments No.	Employees No.	Salaries and Wages \$000	Cost of Materials \$000	*Net Value of Products \$000	Gross Value of Products \$000
Prince Edward Island.....	260	1,906	1,938	8,610	3,849	12,654
Nova Scotia.....	1,480	30,285	46,113	111,354	84,935	204,219
New Brunswick.....	1,061	24,181	39,583	116,491	83,488	208,367
Quebec.....	11,223	379,449	662,838	1,601,056	1,324,398	3,017,049
Ontario.....	11,860	537,581	1,037,977	2,651,698	2,136,014	4,903,473
Manitoba.....	1,413	39,378	68,973	236,936	139,374	383,130
Saskatchewan.....	1,001	11,723	19,662	151,449	41,481	196,452
Alberta.....	1,382	23,941	41,246	202,324	89,290	296,054
British Columbia.....	3,020	83,161	167,283	453,671	388,702	858,285
Yukon and North-west Territories.....	14	145	313	691	525	1,344
Totals.....	32,714	1,131,750	2,085,926	5,534,280	4,292,056	10,081,027

* In accordance with a resolution passed by the Conference of British Commonwealth Statisticians, 1935, the net value of production is now computed by subtracting the cost of fuel and electricity as well as the cost of materials from the gross value of the products.

SOURCE: *The Manufacturing Industries of Canada, 1947, Memorandum* prepared by the General Manufactures Section, Industry and Merchandising Division (Ottawa, Dominion Bureau of Statistics, 1949).

Table XXVIII gives the principal statistics, including the gross values of production, of the leading industries of the manufacturing group in Saskatchewan for 1947. It will be noted that the three most important industries—accounting for well over one-half of the total gross value of all manufactures—are concerned with the processing of primary agricultural products. Transportation naturally bulks large in the movement of these products to eastern domestic or to export markets. The next largest industry, refining of petroleum products, is also closely related to a mechanized prairie agriculture creating heavy demands for petroleum products of all kinds. The remaining industries merely represent the processing or manufacturing of natural products on a necessarily small scale (as in the case of sawmills) or servicing enterprises (such as bakeries and printing and publishing enterprises) to supply in whole or in part strictly local requirements. The only significant “manufactured” items moving out of Saskatchewan are processed agricultural products and it is clear that Saskatchewan did not share, in any measurable degree, in the wartime expansion in heavy industry.

The past two or three years have witnessed several attempts to broaden the base of industry in the Province. This has been reflected in the establishment of a woollen factory, a natural sodium products plant, a plant for processing vegetable oils, a chemurgy plant and a number of local industrial concerns.

TABLE XXVIII

Manufacturing Industries of the Province of Saskatchewan, 1947.

Industry	Estab- lish- ments No.	Total Em- ployees No.	Total Salaries and Wages \$	Cost Materials Used \$	Net Value of Production \$	Gross Value of Production \$
1. Flour and feed mills..	34	861	1,763,496	34,365,621	5,817,922	40,635,390
2. Slaughtering and meat packing	8	1,835	3,659,916	27,248,776	6,991,255	34,487,263
3. Butter and cheese....	69	1,485	2,241,745	20,363,312	5,442,378	26,121,547
4. Petroleum products....	7	598	1,330,639	23,768,985	480,907	25,191,964
5. Breweries.....	5	392	786,424	1,295,652	5,732,477	7,145,272
6. Bread and other bakery products	93	1,001	1,444,494	2,867,822	2,549,335	5,575,165
7. Printing and publishing	110	1,017	1,765,838	970,076	3,155,277	4,198,183
8. Sawmills	427	1,341	987,690	1,707,527	2,385,477	4,185,743
9. Feeds, stock and poultry	13	134	237,055	3,173,270	454,412	3,659,741
10. Foods, miscellaneous..	8	153	181,888	1,583,699	591,383	2,193,456
11. Planing mills, sash and door factories.....	21	346	542,248	905,916	1,004,640	1,946,279
12. Aerated and mineral waters.....	19	165	266,101	585,697	863,733	1,504,583
13. All other* leading industries	6	517	1,238,863	28,186,570	406,865	29,320,542
Total Leading Industries.	820	9,845	16,446,397	147,022,923	35,876,061	186,165,128
Total, All Industries.....	1,001	11,723	19,661,970	151,449,021	41,480,520	196,452,199

*Includes: Vegetable oil mills, bags, cotton and jute, wood preservation, non-ferrous metal smelting and refining.

SOURCE: Correspondence with Dominion Statistician, August, 1949.

An important addition to the Saskatchewan slaughtering and meat packing industry has been made by the Canadian Co-operative Processors Limited (formerly the Horse Co-operative Marketing Association) at Swift Current which obtained a contract to supply processed meat to the Belgian government in 1945. Since then large contracts have been filled for U.N.R.R.A. This project has been of economic value to Canada as a whole; it has been an instrument in assisting European rehabilitation; and it has facilitated the disposal of surplus horses and the establishment of a sound land use policy in south-western Saskatchewan. The increase of 21 per cent. in freight rates was a serious blow to the operations of this industry, coinciding as it did with difficulties in finding markets for its products. Inward transportation costs of the plant are increasing as the source of supply recedes farther from Swift Current and as the Co-operative faces the competition—both for horses and for markets—of a number of similar plants in the United States. The special problems of freight rates were dealt with in detail in the Brief which this co-operative organization presented at Regina.²⁸

Closely allied to manufacturing and indeed one of the major factors in determining the location of industry is the availability of cheap power.

²⁸ See *Memorandum of Canadian Co-operative Processors Limited to Royal Commission on Transportation* (Swift Current, June, 1949, mimeo.).

TABLE XXIX

Electric Energy Generated by Type of Station and by Provinces, 1946.

Province or Territory	Generated By		Total
	Water Power	Thermal Engines	
	000 kwh.	000 kwh.	000 kwh.
Prince Edward Island.....	513	16,189	16,702
Nova Scotia.....	340,941	249,551	590,492
New Brunswick.....	444,793	148,130	592,923
Quebec.....	23,589,563	7,758	23,597,321
Ontario.....	10,771,742	6,393	10,778,135
Manitoba.....	2,386,339	3,036	2,389,375
Saskatchewan.....	Nil	270,691	270,691
Alberta.....	357,056	244,992	602,048
British Columbia*.....	2,801,448	97,852	2,899,300
Totals, 1946.....	40,692,395	1,044,592	41,736,987

*—Includes Yukon.

SOURCE: *Canada Year Book*, 1948-49, p. 497.

Industrial and domestic consumers of electric power in Saskatchewan are in a uniquely vulnerable position with respect to freight rates, since Saskatchewan is the only province which is forced to depend entirely on coal plants for the generation of electric power (see Table XXIX).²⁹ Every other province is able to produce electricity through water power while in certain parts of Canada, such as southern Alberta, natural gas provides a relatively inexpensive substitute for electricity for heating and lighting purposes. Generation of electricity from coal is normally a more expensive process than the utilization of water power but in Saskatchewan sources of water power are scattered and remote. Transmission of electric power for country use in the Province presents formidable difficulties on account of the great distances between producing plants and the small number of available customers per pole-mile of line.

Since the source of Saskatchewan electricity is coal, the cost of transportation of coal from mines near the United States border in the south of the Province or from Alberta to the various plants is of prime importance in the cost of generating electricity.

B. Mining:

The very substantial development of the mining industry in Saskatchewan since 1935 is indicated in Table XXX, showing the gross annual value of mineral production in Canada by provinces at five year intervals, 1935 to 1945 and for the year 1948.

Saskatchewan's potential mineral wealth and the rate of future development are difficult to assess, but much prospecting has been done and the northern shield undoubtedly has many promising areas which will develop as other mining areas have done in similar geological formations across northern Canada. Distances involved in bringing in equipment for prospecting, drilling and milling will always be a factor in Saskatchewan mineral development, and as new fields are proven new railway services and rail lines will become necessary.

²⁹ See also *Submission by Saskatchewan Homemakers' Clubs to the Royal Commission on Transportation* (Regina, June, 1949, mimeo.).

Metallic minerals produced in Saskatchewan include gold, silver, copper, zinc, cadmium and selenium, found in the Pre-Cambrian Shield to the north of the agricultural area.

An important non-metallic mineral produced in Saskatchewan is sodium sulphate, which must be transported to distant markets and faces keen competition from American suppliers. Even at present prices, freight charges represent upwards of 50 per cent. of the laid-down cost of this product.

TABLE XXX

Gross Value of Mineral Production in Canada by Provinces, 1935, 1940, 1945 and 1948.

Province	1935	1940	1945	1948(1)
Nova Scotia.....	\$ 23,183,128	\$ 33,318,587	\$ 32,220,659	\$ 56,155,799
New Brunswick.....	2,821,027	3,435,916	4,182,100	7,339,998
Quebec.....	39,124,696	86,313,491	91,518,120	147,081,732
Ontario.....	158,934,269	261,483,349	216,541,856	286,658,445
Manitoba.....	12,052,417	17,828,522	14,429,423	26,767,711
Saskatchewan.....	3,816,943	11,505,858	22,336,074	34,421,180
Alberta.....	22,289,681	35,092,337	51,753,237	92,623,314
British Columbia.....	48,692,050	74,134,485	64,063,842	147,317,853
Yukon & N.W.T.....	1,430,246	6,712,490	1,709,870	7,814,183
Canada.....	\$ 312,344,457	\$ 529,825,035	\$ 498,755,181	\$ 806,180,215

(1) Preliminary.

SOURCES: *Canada Year Book*, and *Preliminary Report on the Mineral Production of Canada*, 1948 (Ottawa, Dominion Bureau of Statistics, 1949).

Among the possibilities in the non-metallic minerals is the development of the white clay deposits for use in the paper, ceramics, linoleum and rubber industries. Most of the clays used at present are imported into eastern Canada from Georgia and from England by water. The area in Saskatchewan where such clays have been experimented with is in the remote western part of the Province, and any development in this field will almost certainly be contingent on lower transportation costs on the long haul involved.

The coal produced in Saskatchewan (Table XXXI) is of the lignite variety and is found in southern Saskatchewan, the largest field being in the south-eastern part of the Province.

TABLE XXXI

Production of Lignite Coal in Saskatchewan, 1925, 1930, 1935 and 1940 to 1948 Inclusive.

Year	Short Tons
1925.....	471,965
1930.....	579,424
1935.....	921,785
1940.....	1,097,517
1941.....	1,322,763
1942.....	1,301,116
1943.....	1,665,972
1944.....	1,372,766
1945.....	1,532,995
1946.....	1,523,489
1947.....	1,571,147
1948.....	1,589,172

SOURCES: *Canada Year Book* and correspondence with Dominion Statistician, August, 1949.

Freight charges weigh heavily on the Saskatchewan coal mining industry owing to the low unit value of the coal. Relative heat values are shown in Table XXXII.

TABLE XXXII

Average Heat Values of Alberta and British Columbia Coals compared with Saskatchewan Lignite

Alberta & B.C. Coals:	Rough Average B.T.U. Values per lb.	Heat Ratio of Alta.-B.C. Coals to Sask. Lignite
Bituminous Grade 1.....	14,000	1:2
Bituminous Grade 2.....	13,000	1:1.85
Bituminous Grade 3.....	11,500	1:1.64
Sub Bituminous.....	10,750	1:1.53
Lignite.....	8,750	1:1.25
<i>Saskatchewan Lignite.....</i>	<i>7,000</i>	

SOURCE: *Coal Statistics of Canada*, 1946 (Ottawa, Dominion Bureau of Statistics)

The Brief of the Saskatchewan Coal Mine Operators presented at the Regina Hearings made the following points:

"It follows from the foregoing figures that to deliver to the consumers coal with an equivalent amount of heat units, Saskatchewan producers must mine, prepare, handle and pay the freight on two tons of coal to equal the highest grade Bituminous and one and one-quarter tons to equal the lower grade coals produced in the Alberta coal fields.

"The value of the commodity as a factor affecting the level of freight rates is closely allied to the value of the service, since generally speaking the higher the market value of an article the greater the value of the transportation service." ³⁰

The difficult position in which the Saskatchewan Coal Industry finds itself and the disrupted competitive position of the industry following the recent flat increase in freight rates on all coal are described at length in the above Brief. That Submission is commended to the attention of the Commission.

C. Petroleum:

The Lloydminster oil field, which is centered on the Alberta-Saskatchewan boundary produces a heavy crude oil quite different from that of the light oils of Turner Valley, Leduc, and Redwater in Alberta. Lloydminster oils are best suited for fuel oil and asphalt.

Up to the end of 1948 there were some 255 commercial producing wells working in an area of about 665,600 acres with another 20 wells waiting to be placed in production. If all 275 wells produced at capacity a minimum of 8,500 barrels per day would be produced. Output increased sharply in 1948, but restricted market outlets made it necessary to cut back production in the fall of that year by shutting down some wells and slowing up pumping operations on others. This curtailment of oil production has meant a serious set-back to the development of the field which has, in the opinion of qualified authorities, much greater potentials.

³⁰ See *Brief of Saskatchewan Coal Mine Operators to the Royal Commission on Transportation* (Estevan, June, 1949, mimeo.) p. 3.

During certain summer months road surfacing serves as an outlet for part of the product. With the lack of large scale industry in western Canada, industrial use of Lloydminster petroleum is seriously limited in the prairie region. By far the most important uses to which such oil could be put would be as fuel for industrial purposes and as fuel oil on boats.

At present producers are unable to reach the British Columbia market in competition with imported crude oil from Venezuela and California due to the high cost of transporting the product over the long haul to the coast. The British Columbia market is a substantial one and it would be a valuable addition to the Canadian economy if this could be served from Canadian sources of supply.

The Lloydminster Petroleum Association presented its Brief ³¹ at Calgary and the Government of Saskatchewan commends the views expressed in this Brief to the consideration of the Commission.

D. Forestry:

The value of Saskatchewan forest production in 1946 was estimated at \$5.8 millions compared with a total value for Canada of \$413.3 millions. ³² The forest area of Saskatchewan is limited almost entirely to the northern portion of the Province. The plains are virtually devoid of forest cover with the result that all lumber and practically all other wood and wood products must be brought in from northern Saskatchewan, British Columbia or elsewhere. Even fuel for firewood is almost completely lacking on the prairie plains and in view of the severe winters cordwood and other firewood move in vast quantities, as Table XXXIII shows, thereby providing substantial rail traffic. Other forest products used or produced in Saskatchewan and of significance to the railways in terms of freight tonnage include lumber, box, crate and cooperage material, logs, posts, poles and piling. Table XXXIII, giving loadings and unloadings of forest products at stations in Saskatchewan in 1948 also indicates the heavy deficiency of lumber for building in Saskatchewan which can be overcome only by large imports—chiefly from British Columbia.

TABLE XXXIII

Forest Products Loaded and Unloaded at Stations in Saskatchewan, 1948.

	Loaded tons	Unloaded tons	Export tons	Net Import tons
Logs, posts, poles, piling.....	10,506	24,061	.....	13,555
Cordwood and other firewood....	100,649	101,532	.....	883
Ties.....	456	496	.....	40
Pulpwood.....	204,275	790	203,485	.....
Lumber, timber, box, crate and cooperage material.....	77,277	178,409	.....	101,132
Other forest products.....	22,902	28,669	.....	5,767

SOURCE: *Summary of Monthly Railway Traffic Reports for year ended December 31, 1948* (Ottawa, Dominion Bureau of Statistics, 1949).

³¹ See *Brief of the Lloydminster Petroleum Association to the Royal Commission on Transportation* presented at Calgary (Lloydminster, Saskatchewan, June, 1949, mimeo.).

³² See *Estimate of Forest Production—Operations in the Woods in Canada, 1946* (Ottawa, Dominion Bureau of Statistics, 1948).

Pulpwood is shipped out of the Province eastward to Manitoba, Ontario and American mills in substantial quantity. In this sector of Canada's export economy Saskatchewan's role is rendered difficult as a result of geography and transportation costs determine in a large measure the extent of the area which can be economically worked. At best the competitive position of the industry in this Province is unfavourable compared to that of sources closer to the major markets.

E. Fishing:

Commercial fishing is one of a number of relatively small industries carried on in the northern portion of the Province which contribute to a degree to diversification of the Saskatchewan economy and which provide a livelihood for a section of the population of the far north. The value of Saskatchewan fish as marketed in 1947 was \$1.2 millions compared with a Dominion total of \$124.1 millions or just under one per cent. of the Canadian total.³³ Most of the commercial fishing in Saskatchewan is carried on in the semi-barren northland under conditions which make it difficult for those engaged in this occupation to turn to any other methods of earning a living. The fresh water fishing industry is a low income industry in Saskatchewan, extremely sensitive to market and cost fluctuations. The Provincial Government has actively fostered development of these fisheries through the promotion of markets and through improving the quality of the product in an attempt to bring a measure of stability to this industry.

Great distances separate the producing lakes from the main centres of consumption, most of the catch being exported to the United States, heavy shipments being made to Chicago, Detroit, and New York.

There is at the present time an application before the Board of Transport Commissioners for an increase in express rates on fish, the impact of which if granted may force the abandonment of some of the more remote lakes. Fish is an extremely perishable product, and this fact coupled with the long haul to markets and the necessity of shipping express in refrigerated cars places the industry in a particularly vulnerable position.

9. Conclusion

The essential features and the basic problem of the Saskatchewan economy have been admirably summarized in the Brier presented by the Saskatchewan Wheat Pool at the Regina Hearings of the Commission:³⁴

"Saskatchewan is an area of normally low rainfall which makes farming extremely hazardous in an economic sense.

"It is an area of great fluctuation in crop outturn.

"It is an area which must depend to a large degree on export markets,—markets which have always been of a variable and capricious nature.

"Farm prices in this province, influenced by the uncertainties of crop production in a semi-arid region and by the unpredictability of competitive foreign crops and overseas markets, have fluctuated widely and violently, while items of cost such as freight charges have remained fairly rigid. As a result of this uncertainty of both production and of price, farming and living in rural Saskatchewan have often been neither easy nor remunerative. Indeed

³³ See *Advance Report on the Fisheries of Canada, 1947* (Ottawa, Dominion Bureau of Statistics, 1949).

³⁴ *Op. cit.*

large areas of the province have, for extended periods, been forced to live by government relief and out of capital depletion. These factors, of uncertain yield and uncertain prices, must always be remembered when considering items of inflexible costs such as freight charges." (p. 4)

"The chief problem of the Saskatchewan farmer through the years has been the difficult, and sometimes impossible, task of balancing fixed costs against fluctuating income. He experienced years at a time when the market value of his products was less than the cost of production. During that period fixed costs remained high and their pressure finally crushed the structure on which his economy was based, and plunged him into a sea of debt from which he is only now recovering. One of these fixed costs was freight charges. Past experience in this province has proven that fixed charges which may appear reasonable when price levels are high become excessive and are a great burden on the economy when price levels fall. . . . We submit that on the long-term basis,—the only fair basis upon which judgment can be given,—the farmer in Saskatchewan is unable to carry any further burden of these costs." (p. 31-2).

The contribution of the prairie wheat economy, in spite of severe handicaps, has been vital to Canadian development. Recognition of this contribution has been implicit in Acts of the Federal Parliament aimed at the correction of mistakes in settlement policy, the assurance of the productive continuity of prairie wheat lands, the maintenance of the social fabric of the farm economy, and the constant vigilance of Canadian Governments to maintain the steady flow of Saskatchewan wheat to the markets of the world.

Yet indications are not lacking that the period of relative prosperity which the Saskatchewan economy has recently enjoyed—and which permitted substantial retirement of farm debt and replacement of worn-out machinery—may be drawing to a close. The favourable relationship of prices and costs which characterized the middle nineteen-forties has not been maintained during the past year and a half. Farm costs have continued to mount while the upward trend in farm prices has been arrested if not turned downward. Thus while the index of western farm costs rose 21.2 points between January, 1948, and August, 1949, the index of Saskatchewan farm prices rose only 4.3 points over the same period.³⁵ Finally farm income may be expected to reflect this trend as problems of supply give way to the more familiar problem of finding adequate and remunerative markets for most farm products.

All this serves to emphasize the fallacy—and the dangers—inherent in any theory of rate-making which might suggest that a freight rate structure, traditionally, historically and perhaps necessarily inelastic in its nature, should be established on the basis of relatively favourable conditions temporarily obtaining in a highly variable agricultural economy. No concept could be more deceptive, or, if applied, more disastrous to the prairie economy and more disillusioning to the transportation systems of this country.

³⁵ See *Price Index Numbers of Commodities and Services used by Farmers, August, 1949*, (Ottawa, Dominion Bureau of Statistics, October, 1949) and *Index Numbers of Farm Prices of Agricultural Products* (Ottawa, Dominion Bureau of Statistics, October, 1949).

PART II

THE NATIONAL POLICY AND THE SASKATCHEWAN ECONOMY

The burden of freight rates bears more heavily upon the Saskatchewan economy than upon any other part of Canada. Geographical location and narrow specialization of resources are basic contributors to this fact. The regional variability of road and water competition also plays a significant part. National policies relating to railways and fiscal measures have, however, greatly intensified the burdens arising from these circumstances. The history and implications of these policies will be briefly outlined.

1. The National Policy

By historical accident the expression "National Policy" in Canada is used to describe the system of tariff protection instituted by Sir John A. Macdonald in 1879. Protective tariffs, however, were but one of the more important of a group of instruments designed to achieve national purposes. These purposes began as visionary prospects a century ago and were given formal political and economic expression in the period from 1860 to 1885. The central national purpose was, of course, to create a national unit out of the widely scattered territories of British North America in spite of the immense handicaps imposed by their geographic isolation and by their economic and political diversity. The political framework for the project was laid down by the British North America Act which federated four provinces and provided for the entry of other provinces and territories. The economic foundations required Atlantic and Pacific railways, the control and development of western lands, and a policy of protective tariffs. No single one of these elements, but all taken together merit the title, National Policy.

On its economic side the National Policy envisaged, first, the maximum development of the total national territory, and, second, the integration of the economic life of the various regions within the national framework. The defensive aspects of this integration are important. The Americans, at the crest of their belief in a manifest continental destiny, displayed a boundless ability and an increasing willingness to develop the territories to the north of their boundaries. The declared price of this interest, however, was the economic and political absorption at least of the territories west of the Great Lakes. The Canadian decision taken and maintained in consistency with the National Policy was that the western territories should be developed by Canadian effort only. This decision may not have retarded the development of the West. It did, however, greatly increase the cost of the development because of the artificial demand for railway facilities and for central Canadian industrial expansion.

2. Economic Circumstances Which Gave Rise to the National Policy

Both the developmental and the defensive aspects of the National Policy are rooted deep in Canadian economic history. By the early nineteenth century the westward expansion of agricultural settlement in North America provided new economic vitality and profitable prospects for the Atlantic communities of the United States and for the Canadian commercial centres on the St. Lawrence. The centuries-old rivalry between the merchants of the Hudson and St. Lawrence river systems moved into the phase of rivalry

in canal and later of railway construction. In both of these developments the Canadians lagged seriously behind the Americans. Neither the Canadian canal system, completed by 1850, nor the Grand Trunk Railway, completed by 1860, was able to justify itself by effective contact with the agricultural frontier of the American middle west. The Canadian agricultural frontier was stopped by the apparently insuperable obstacle imposed by the Canadian Shield.

The eighteen-fifties and the eighteen-sixties, however, saw a new interest in the British territories beyond the Shield. Gold discoveries on the Fraser River and in the Cariboo attracted attention to the Pacific colonies. American agricultural settlement moved north as well as west beyond Lake Michigan. Palliser and Hind noted serious disadvantages in the geographic circumstances of the plains of Rupert's Land, but both reported substantial fertile areas between the Shield and the Rocky Mountains. The Red River Settlement, if it showed little prospect of expansion, was nevertheless permanently established.

If the West were to be developed it would require transportation facilities, and, if western development were to be integrated with the St. Lawrence economy, facilities must be provided which would link the two regions effectively. The Red River Settlement by the eighteen-fifties was already trading with the commercial outposts of the United States, transporting its merchandise by river boat and annual convoys of Red River carts to and from St. Paul. This contact would have to be broken and replaced by one with Canada.

A railway was not specifically indicated. Visionaries as early as the eighteen-fifties had proposed an all British Pacific railway to serve as a bond of Empire and a short-cut to the Far East. The proposal was not taken seriously and Palliser reported that the choice of the 49th parallel as Canada's boundary had ruled out any possibility for such a project. The first serious attempt to link the Red River Settlement with the East envisaged reliance on the waterway not only of the upper Great Lakes, but also of the Lake of the Woods system which lay between Lake Superior and Fort Garry.

With the entry of British Columbia into the Canadian federation the type and extent of the communication system which was to be created were determined. The Pacific delegates to Ottawa asked for a wagon road. They gladly accepted the offer of the Dominion Government to construct a railway linking central Canada with the Pacific coast. The location of the railway was still undecided.

3. The National Policy and the Location of Canadian Railways

It is often said that Canada's east-west rail and communication systems, and the resultant east-west commercial system, are unnatural and in defiance of geography. It is frequently stated, and much more frequently implied, that, were it not for the National Policy, the lines of trade, and the railways, would run north and south between contiguous Canadian and American regions.

Such extreme statements are, of course, incorrect. Geographic areas, like individuals, find trade between each other advantageous in proportion to their dissimilarities rather than their similarities. Canadian and American regions which are contiguous on a north-south axis and which are separated by an imaginary line have little to distinguish them from each other and little

to prompt them to trade. Maritime Canadian regions lie to the north of American maritime regions; the Canadian industrial region, to the north of the American; and the Canadian central plain is but the northern extension of the continental central plain.

Dissimilarities which induce trade in North America are, therefore, much more readily observed between areas east and west than between areas north and south. To illustrate with particular reference to Saskatchewan, even without a system of tariff protection and without a great deal of artificially located railway mileage, the trade of the Province would still be primarily with eastern Canada and the United States, with the western coastal regions of Canada and the United States, and with Europe and Asia.

Nevertheless, the deliberate and persistent purpose embodied in the National Policy was the distortion of the normal channels of Canadian-American trade. This distortion was held to be necessary in the national interest. As such, it is not the purpose of this analysis to question it. It is necessary, however, to indicate something of its resultant burden upon the Canadian economy and upon particular segments of that economy. The burden can be traced in terms of artificially located railway mileage and in the prevention of Canadian access to the most favourable of industrial markets.

The commitment made by the Canadian Government in 1870 to build a Pacific railway left the route for the railway unspecified. The most important question concerning the route was how to link central Canada with Fort Garry. The Grand Trunk railway ran from Montreal to Sarnia and westward extension might bring it to Fort Garry either by construction through American territory to the south of the Lakes, or by construction only where necessary to extend facilities which might be secured by the negotiation of running rights over American railways which were already expanding rapidly in the American middle west. Such an extension was in fact proposed by Grand Trunk officials in 1860 as the only solution to the financial problems of the Grand Trunk system. The alternative to establishing rail communication with Fort Garry was the construction of an all-Canadian route through what was understandably regarded as the nearly impassable area of the Shield north of Lakes Huron and Superior.

The decision was taken by 1871 to build an all-Canadian railway despite the incalculably added costs of such a project. The decision was not changed despite various pressures to have it altered. In 1880 the Grand Trunk officials in London were approached concerning the construction of the Pacific railway. They refused to consider it when told that it must be built north of the Lakes. A number of the members of the C.P.R. syndicate entered the project in the belief that the north-shore link was not an immediate possibility and that in the meantime their own mid-western American system might make itself indispensable. J. J. Hill withdrew from the group in 1882 when he realized that the north-shore section was to be constructed forthwith.

The construction of the Pacific railway to the north of the Great Lakes was dictated by the National Policy and can be justified as in the national interest. The costliness of the construction through those regions accounts to a considerable extent for the fixed charges of Canadian railways and thus enters into railway rate calculations for the Canadian economy. The hundreds of miles of Shield bridged by the Pacific railway remain unremunerative in terms of traffic and thus not only the fixed charges but also the operating costs of the region fall upon traffic which originates or is destined elsewhere.

The construction of additional Canadian transcontinental lines after 1900 need not be regarded as an integral part of the National Policy. Nevertheless, the policy which after 1903 added two additional lines through the Canadian Shield as well as to the Pacific coast was a policy of the national government. If traffic over the Shield and originating in the Shield was inadequate for one railway, it could scarcely be adequate for three, even with the traffic from new areas which the added railways opened up.

While the alternative routes for the Pacific railway in the east were either Canadian or American, alternative routes through the mountains of British Columbia were all Canadian. It was a question of farther north or south. The northern pass, the Yellowhead, was by a considerable margin the easiest pass which could be found and it would permit a railway to run northwesterly from Selkirk by way of the fertile park belt. It did not provide the shortest route to the settlements at the mouth of the Fraser. Passes farther south would permit more direct rail routes, but were immensely more difficult than the Yellowhead. Furthermore, any railway running directly to the coast through a southern pass would necessarily pass for hundreds of miles through the semi-arid plains instead of through the park belt.

The route of the Pacific railway as originally planned and surveyed was the northern route by way of the Yellowhead pass. The route as finally adopted for construction was the southern route, across the semi-arid plains (through which the C.P.R. refused to select any of its land grant), and through the extremely difficult Kicking Horse pass. The comparative directness of this route was one factor in its favour. More important was its proximity to the American boundary which offered defensive possibilities against the threat of economic invasion by American railways. As early as the 1860's the construction of the Northern Pacific from Lake Superior to Puget Sound was regarded as rendering inevitable the economic and political union of the Canadian west with the United States. A Canadian railway constructed in a northern arc could scarcely prevent this from taking place.

In the late 'eighties and early 'nineties the discovery and development of mineral deposits in the Kootenay by American interests, and the construction of railway lines linking this area with American rail lines raised the question of American infiltration in its sharpest form. Under the Crow's Nest Pass Agreement the Canadian Pacific Railway was awarded a subsidy to enable it to build into the Kootenay region and link that region with the transcontinental Canadian line rather than allow it to become an American hinterland by default.

Canadian railway construction has been an integral part of the National Policy. The main lines of the Canadian railway system were located in the national interest and with little regard to the questions of economical construction or operation. The burdens of transportation facilities have thereby been immensely enhanced in the interest of economic and political unity. It is of particular importance that these enhanced burdens should not bear disproportionately upon the various segments of the Canadian economy.

The burdens of the Canadian transportation structure, which have been enhanced by national policies, are not apportioned equally among Canadian geographic regions. Railway rates are higher in western Canada than they are in the Central Provinces. This discrepancy exists in the general rate structure, in competitive rates and in the distinction between town tariffs as

granted in the East and distributing tariffs in the West. The intensiveness of water and truck competition in the Central Provinces has been advanced as an adequate reason for the lower rail rates in the central area. The competition of ocean carriers has been held to justify low rates to the Pacific coast. In the interest of maintaining railway earnings, the rates in the Prairie Provinces are kept unduly high and are not restrained by any adequate measure of water or truck competition.

The Board of Railway Commissioners in the early 1920's dealt with requests for equalization and refused to remove completely the discrepancies between eastern and western rates on the ground that costs as well as competition accounted for the differences. The determination of regional differences in costs is an extremely complex matter and should be the subject of special investigation by the Commission. The Province submits that since 1927, the date of the latest thorough investigation of relative rate levels East and West, the conditions under which traffic is handled have so changed that many cost disabilities which may have existed in the West have ceased to exist or have been reduced to minor proportions.

4. The Tariff and the National Policy

The second important and costly feature of the National Policy is its dependence on protective tariffs. It is clear that Canadian rail lines between Central Canada, on the one hand, and the Maritimes and the West, on the other, provided only the opportunity for the movement of goods over these routes. The railways did not in themselves make it certain that manufacturing facilities should develop in Central Canada to supply the outlying regions. Without protective measures of some sort, Canadian manufacturers would secure and hold the markets of the outlying regions only if they could deliver goods in competition with the highly efficient mass-production industries of eastern and middle western United States. This the industrialists of Central Canada alleged they could not do. Whether they could have done so or not has never been put to the test. A policy of tariff protection was instituted in Canada before there were any significant outlying markets to supply, and, indeed, before there was any great body of industry to supply them. This policy has been maintained without serious modification to the present day.

The protective element of the National Policy was enacted in 1879. The tariff policy of the Province of Canada before Confederation, however, clearly foreshadowed the protective principle. In the Cayley-Galt tariffs of 1858 and 1859 the import rates of duty were considerably increased. In the 1859 budget the customs rate on the general list of items was placed at 20 per cent. ad valorem. While an increase in rates was clearly compatible with the *letter* of the reciprocity agreement, it was regarded in American circles as a breach of the *spirit* of that agreement. This view had lasting adverse significance for Canadian-American tariff negotiations.

Galt justified the tariff increases on the basis of the costs and benefits of transportation improvements undertaken by the government. His reasoning provides a clear and early statement of the principle of the interdependence of tariffs and transportation facilities in Canada. The construction of canals and railways in new countries such as Canada, he argued, was extremely costly to government but was, at the same time, of great benefit to producers and consumers. Such improvements raised the net returns of export producers

and lowered the cost of imports to consumers. The imposition of tariffs, therefore, was but a reasonable method by means of which the government might recoup a part of its developmental outlay. At a later date, Galt described the policy represented by the 1859 tariff changes as one of "incidental protection", a policy of tariffs primarily for revenue but "affording at the same time an incidental amount of protection" to domestic manufacturers.

The developmental burdens which had been assumed by the provincial governments before Confederation were small in comparison with those which were to be accumulated over the decades by the Federal Government. The Federal Government constructed substantial sections of the Canadian railway network, such as the Intercolonial and the National Transcontinental, at its own expense. It subsidized the remainder of the railway mileage in various ways, either by land grants, cash subsidies, tax exemptions or the guarantee of railway securities. Governmental assistance to Canadian railway construction is so all-pervasive that no substantial part of the Canadian railway structure can properly be regarded as a free-enterprise response to the prospects offered by a freely operating price economy.

If the provincial tariff of 1859 was designed primarily for revenue purposes, with incidental protection, the Dominion tariffs enacted in 1879 and subsequent years were designed primarily for protection, with incidental revenue. This change of emphasis was essential to the national purpose. Construction of a Pacific railway would make possible the economic development of the West. Protective tariffs would foster interprovincial trade in place of international trade. Canadian manufacturers would be assured as fully as possible of exclusive rights to the total Canadian market. Together, railways and tariffs would integrate the expanding area of economic activity. Tariffs would ease the burden of transportation improvements by providing railway traffic and a more diversified economy as a source of tax revenues.

Canadian political leaders widely separated in time and in party affiliations have expressed the philosophy of a closely integrated economy to be created by national policies. McGiverin stated the objective clearly during the Confederation debates in 1865. He said in part: "What then may we not expect our great North-West to become? If we had it opened up, Canada would be the carriers of its produce, as the Middle States are the carriers of the Western States, and the manufacturers of its goods as the Eastern States are now the manufacturers of the goods consumed by the West." (*Canadian Confederation Debates*, p. 470). This statement does not specify railways or tariffs, or indeed any particular instrument for the development of the West, but it indicates with the greatest clarity the colonial role assigned to the western territories at the time of Confederation.

Macdonald's interpretation of a National Policy of protective tariffs was perhaps most fully outlined in the Session of 1878 while Macdonald was still in the Opposition. On March 7 of that year, as the House moved to go into committee on the budget, Macdonald introduced the resolution that,

"...this House is of the opinion that the welfare of Canada requires the adoption of a National Policy, which, by a judicious re-adjustment of the Tariff, will benefit and foster the agricultural, the mining, the manufacturing and other interests of the Dominion; . . ." (*Debates*, 1878, p. 854)

His arguments in support of the resolution concerned the development of resources, the maintenance of employment opportunities, the prevention of Canada continuing as a "slaughter market" for American merchandise and, finally, the stimulation of interprovincial trade. He said,

"The resolution speaks not only of a reasonable adjustment of the tariff but of the encouragement and development of interprovincial trade. That is one of the great objects we should seek to attain. Formerly, we were a number of Provinces which had very little trade with each other, and very little connection . . . I believe that, by a fair readjustment of the tariff, we can increase the various industries which we can interchange one with another, and make this union a union in interest, a union in trade, and a union in feeling. We shall then grow up rapidly a good, steady and mature trade between the Provinces, rendering us independent of foreign trade, and not, as New Brunswick and Nova Scotia formerly did, look to the United States or to England for trade, but look to Ontario and Quebec,—sending their products west, and receiving the products of Quebec and Ontario in exchange. Thus the great policy, the National Policy, which we on this side are advocating, would be attained." (*Debates*, 1878, p. 861).

Macdonald made the introduction of protective tariffs a major issue in the 1878 election campaign. Asked at Hamilton what protection he proposed to give he said, "I cannot tell what protection you require. But let each manufacturer tell us what he wants, and we will try to give him what he needs." (As cited in Porritt, *Sixty Years of Protection in Canada*, p. 310). The Conservative *Mail* of Toronto urged the electors in 1878 to get rid of the "starvationists", the Liberals, "and bring back a rich prosperity to Toronto and the Dominion at large." (*Mail*, Toronto, September 19, 1878, as cited, *Ibid.*, p. 311).

In 1879, Sir Leonard Tilley as Minister of Finance introduced the tariff rates of the National Policy in the first budget of the newly elected parliament. In summing up the immense detail of the tariff changes he said (*Debates*, 1879, p. 429):

" . . . it does appear to me, Sir, that . . . the time has arrived when we are to decide whether we will be simply hewers of wood and drawers of water; whether we will be simply agriculturists raising wheat, and lumbermen producing more lumber than we can use, or Great Britain and the United States will take from us at remunerative prices; whether we will confine our attention to the fisheries and certain other small industries, . . . or whether we will inaugurate a policy that will, by its provisions, say to the industries of the country, we will give you sufficient protection; we will give you a market for what you can produce; we will say that while our neighbours build up a Chinese wall we will impose a reasonable duty on their products coming into this country . . . all events, we will maintain for our agricultural and other productions largely, the market of our own Dominion."

For the first two decades under the National Policy of protection the great bulk of Canadian activity was confined to the Central and Maritime Provinces. In framing the protective schedules of 1879 the goal had been, in Tilley's words, to find "the best means of reducing the volume of our imports

from all parts of the world." Subsequent modifications of the original National Policy rates were made in furtherance of this aim. By the turn of the century the scale of economic activity and the expansion of market prospects in the Prairie Provinces were of such magnitude that the reduction of imports into that area took on special significance. Toward this end the National Policy tariff structure required only to be maintained. This the Liberals under Sir Wilfrid Laurier found it expedient to do despite campaign pledges made during the eighteen-nineties.

Sir Wilfrid himself has left us the clearest statement on record of the place occupied by the Prairie Provinces within the framework of National Policy protection. Speaking to the Canadian Manufacturers Association in Quebec City in 1905 he said:

"They [the settlers in western Canada] will require clothes, they will require furniture, they will require implements, they will require shoes—and I hope you can furnish them to them in Quebec—they will require everything that man has to be supplied with. It is your ambition, it is my ambition also, that this scientific tariff of ours will make it possible that every shoe that has to be worn in those prairies shall be a Canadian shoe; that every yard of cloth that can be marketed there shall be a yard of cloth produced in Canada; and so on and so on. . . ."

(Laurier's speech as quoted in *Canadian Annual Review of Public Affairs*, 1905, pp. 149-50.)

It is not possible to measure the over-all effect of tariff policy upon the growth and integration of the Canadian economy. Nor is that relevant to the present purposes. The Commission is concerned to discover if there are regional disabilities or inequities associated with transportation services. The tariff is inseparably tied up with transportation policy in the development of the Dominion and the significance of the tariff varies as between regions in Canada. No attempt will be made to measure this variation but its existence and nature can be clearly established.

In explaining the regional incidence of National Policy tariffs it is important to recall, first, that they were introduced before there was any considerable economic development in the Prairie Province area, and second, that they remained relatively unchanged until as late as 1930. The effect of the imposition of a new duty or an increase in an old one is different from the effect of the continuance of an old one. An economy which develops within a tariff framework already established will differ from one which would develop under circumstances which are similar except for the absence of the tariff. But the development will, from its beginning, take cognizance of the effects of the tariff, as nearly as such effects can be foreseen. Types and ranges of activity ruled out by the tariff will never start, except in error. If the same tariff were to be imposed on an economy already well developed the resultant readjustment and alteration of equities might well be drastic in degree.

The National Policy tariff schedules were first enacted in 1879. Over the period of the next nine years the rates were considerably increased and were applied to a wider range of merchandise. From the end of that formative period until 1930 the National Policy tariff remained stable with only minor modifications associated chiefly with the introduction of British preference and with reductions in the rates on farm machinery and automobiles.

The prairie economy, therefore, grew up within a pre-established tariff framework. This framework shaped, limited and curtailed development within the Prairie Provinces. With the possible exception of the Red River Valley, however, where settlement was well established before 1820, it cannot be said that the introduction of protective tariffs destroyed any equities already created by economic activity in the prairie region. Nevertheless a differential regional incidence of the Canadian tariff can readily be demonstrated.

Duties on imports into Canada have curtailed a wide range of industrial importations, particularly from the United States, and have protected them with higher priced Canadian products. To the extent that this has happened—that is, to the extent that the National Policy of importation has been successful—Canadian industry has expanded to a greater extent than it otherwise would have. At the same time, the cost of production and of living have been enhanced to a degree represented by a variable proportion of the amount of tariff protection. Since in the geographic nature of things the greatest industrial opportunities are concentrated in the central provinces, the expansion in industrial activity attributable to tariff protection has taken place in the Central Provinces. Under conditions which have prevailed in the past the Prairie Provinces have had few industrial possibilities but great capacity for export production. The tariff, then, has provided no scope for western industrial expansion and has had the unintended effect of hindering the expansion of export activity because of the pronounced increase in cost of production and of living to which it gives rise.

The differential regional effects of protective tariffs in Canada are not to be sought in long-run inequalities in the returns to labour or capital, or in profit margins. To the extent that Canadian industrialists require protection against foreign competition, that protection is eaten up in inefficiency and high costs rather than in high profits. If the full degree of protection which exists is not needed, domestic producers will nevertheless secure abnormal profits only if they exploit their protected position with the aid of effective monopoly.

The differential regional effects of protective tariffs are to be found in property values. By fostering industry, Canadian tariffs have increased the value of properties best suited for industrial plants and for the housing of industrial labourers. By raising production and living costs in the export areas, Canadian tariffs have restricted the expansion of these areas and have to that extent limited the relative increase of their property values. This is of particular significance in the Prairie Provinces where production for export is of such overwhelming importance and where property equities are so widely diffused among the resident population.

It is clear, therefore, that the tariff has operated to provide a financial subsidy to the population of the areas of Canada in which it has stimulated industrial expansion, notably in the Central Provinces. This fact is in no way controverted by the likelihood that the subsidy has been unequally apportioned among the various segments of the population within those provinces. Wage earners as such have suffered rather than gained because of the tariff. But property owners have achieved permanent and substantial gains. Taxing bodies at both the local and provincial levels in the industrial region have secured an enlargement of their property and business assessment bases as a direct result of the tariff.

It is not argued that the industrialization of Central Canada is solely due to the protective tariff. The Central Provinces have great natural ad-

vantages over other parts of the Dominion for industrial activities. For certain types of industrial development these provinces possess exclusive possibilities. Nevertheless, regional specialization rests on *acquired* as well as natural advantages. Of two regions, the one with a prior start in industrial development may, because of that fact alone, have a permanent superiority over the other. For decades after the National Policy of protection began to foster industrial development in the Central Provinces the Prairie Provinces were without industry to foster. The relatively complete lack of industrialization in the West today is due in part to the impossibility of achieving competitive competence as against eastern industries long since grounded in tariff favour.

The preceding paragraphs indicate the nature of the regional effects of a tariff which has long been maintained and to which the regional economies have become more or less completely adapted. As already pointed out, however, the effects of the imposition of a new tariff or of an increase in old tariff rates are of a different sort. This is of particular importance for the present analysis because of the fact that Canadian tariff protection was drastically increased after 1929 in an attempt to cure unemployment. The added protection was secured by sharp increases in tariff rates, by increasing the number of specific rather than ad valorem rates in the schedules, and by a multiplication of protective administrative devices. The dubious efficacy of this method of attack upon the unemployment problem is no part of our present concern. The regional impact of the policy must, however, be recorded.

In a study prepared for the Rowell-Sirois Commission in 1938 Professor Mackintosh analysed in some detail the Canadian tariff changes after 1928 and their regional effects (*The Economic Background of Dominion-Provincial Relations*, Appendix 3 of the Rowell-Sirois Report, pp. 89-96). A summary of his findings will serve to present the matter forcefully and concisely.

Professor Mackintosh found that the tariff changes between 1928 and 1933—the most substantial which had been made since the period 1879-87—were singularly effective in diverting purchases from imports to home production and that the products in which the diversion from foreign to domestic production was the greatest were predominantly products of the Central Provinces. This was true with the exception of iron and steel, coal and petroleum products where other provinces, not including Saskatchewan, shared in the increased protection. Professor Mackintosh was unable to determine the degree to which Canadian prices of the protected products were increased as a result of the increased protection. The evidence suggested that in some cases domestic producers were able to maintain their prices at levels above duty-free prices by the full amount of the tariff. In other cases the new rates were prohibitive; that is, domestic producers were unable to sell their products at prices equal to the duty-free figure plus the full amount of the duty. The conclusion on this point was, however, that there were very few cases in which tariff increases had not increased the margin between Canadian prices and duty free prices to *some* degree.

Professor Mackintosh was careful to point out that tariff changes were not responsible for the entire decline in the purchasing power of the products of Canadian export regions in the 1930's. The tariff increases aggravated but did not occasion this fall in purchasing power, and this by having "tempered the decreases in protected prices while the export prices were

fully exposed." On this point Professor Mackintosh concluded: "The fact of this aggravation [of the decline in the real income of Canadian export regions] is clear but its extent cannot be accurately computed. The conclusion is inescapable that effective increases in the tariff to an amount, but substantial extent, increased the economic pressure on the predominant export regions of the country and indirectly contributed to the financial burdens of the provinces concerned, burdens which the Dominion has been forced, since 1930, to assume in part."

In addition to the increased burden resulting from tariff changes, the difficulties of western wheat producers in marketing the crops grown in the years from 1929 to 1932 inclusive were undoubtedly aggravated by the "sound money" policy so vigorously maintained by the Dominion Government during that period. National policies may be designed either to mitigate the thrust of world-wide forces, such as the world-wide deflationary forces of the early nineteen-thirties, or to leave certain vulnerable groups exposed to their full rigours. The disastrous impact of the "sound money" policy on the prairie wheat economy provided a further illustration of the way that national policy invariably tends to reflect the centralization of power in eastern Canada.

Between 1932 and 1938 the original sharp increases in tariffs which were made in the early 1930's were somewhat modified by trade treaties, notably the Ottawa Agreements and those with the United States in 1935 and 1938. These established preferential treatment for specific products in specific markets and thus in part offset the additional burdens thrust upon the export regions by increased industrial protection. This was true particularly for British Columbia as a result of the British and American lumber preferences, and for New Brunswick with lumber and apple preferences. The bacon preference provided *potential* advantages to all agricultural regions. As for the British wheat preference, however, designed presumably to counteract in the Prairie Provinces the ill effects of enhanced industrial protection, Professor Mackintosh remarked: "Though at times the preference on wheat may be helpful, it is difficult to discover any substantial advantage with exportable surpluses as large as Canada and Australia have had since 1932." Treaty preferences secured after 1932 therefore provided no significant adjustment of the burden thrust on the Prairie Provinces by the earlier tariff increases. In Professor Mackintosh's words: "On the basis of changes in the tariff by legislation and treaty [after 1928] it is clear that the net disadvantages of the prairie region have been greater than those of the other export regions."

Professor Mackintosh concluded his analysis of the effects of the tariff changes of the 1930's with the following paragraph:

"Canada is a country of specialized exports and has a high degree of regional specialization. It is characteristic of those exports (except gold, nickel, and probably, under more favourable circumstances, newsprint) that, in periods of price fluctuation, their prices are likely to experience extreme fluctuations. That is a basic fact of the Canadian economy. To the degree that the protective tariff is high, i.e. contains many prohibitive duties, thus isolating protected prices from world prices; in so far as it contains many specific rates which remain rigid in the face of falling prices; to the extent that effective tariff rates are sharply increased by administrative or legislative action in order to spare

producers for the home market the shock of falling prices, or to increase their share of the home market, or both—it will, in the face of major price declines, exaggerate the distortions of the price structure and thrust disproportionate contractions of real income on specialized export regions. . . . These conclusions remain unaffected whether the protective tariff is considered for the economy as a whole as a desirable or an undesirable policy.” (p. 96)

When representatives of the Prairie Provinces point out the unequal regional impact of the tariff structure it is commonly urged in reply that tariffs and railways go together in the National Policy and that the effects of the one cannot be analyzed apart from the other. Western development of any extent would obviously be impossible without railway facilities and so it is argued, the tariff structure assures the east-west movement of goods which, in turn, serves as the paying traffic for the Canadian railway system.

It can readily be granted that without the tariff the Canadian system of railways would be wholly uneconomical. It would be incorrect to assume, however, that the Prairie Provinces would be without adequate railway facilities had the Canadian trans-continentals and their feeder systems not been built. As pointed out elsewhere in this analysis, one of the chief concerns of the early railway policy of the Dominion Government was the exclusion of American railways from Canadian territory to the west of the Great Lakes. The managements of the Northern Pacific and Great Northern railways stubbornly persisted, from the eighteen-sixties till the end of the century, in their attempts to build into the Canadian territory both on the plains and in the mountains. Their aim was to draw the whole western Canadian region into their commercial and general economic orbit. The National Policy of tariffs and railways was successful in preventing this absorption. As far as the western provinces are concerned, therefore, Canadian railways are to be regarded as expensive alternatives to American railways rather than as alternatives to no railways at all.

In summary, then, it may be noted that Canadian tariffs have denied to the residents of the Prairie Provinces the advantages of buying in the low-cost, mass-production industrial areas of the United States. Canadian tariffs have forced them to buy the more expensive Canadian manufactured goods and to pay the freight on what is in many cases a longer haul over Canadian railway lines from the Canadian sources of supply. As producers, the people of the wheat economy have higher and more rigid costs of production as a result of tariffs. As consumers they similarly have higher and more rigid costs of living.

Canadian tariff policy has pursued the dual national purposes of fostering Canadian industry and of creating traffic for Canadian railways. To the extent that these purposes have been achieved the residents of the prairie economy have borne a double portion of the cost involved. First, they have been denied access to many of the efficient mass-producing centres of American production for the purchase of their requirements. Second, they have had to pay transportation charges on their purchases for the longer distances from Canadian production centres.

PART III

AMELIORATION WITHIN THE RATE STRUCTURE

1. General

In Part I of this Submission an attempt has been made to outline the development of the Saskatchewan economy and to appraise its position with respect to the economic life of Canada. The factual material presented in that Part indicates very clearly the dead-weight burden of the railway freight rate structure on the people of this Province.

No attempt has been made to deny the stubborn facts of geography but the position has been taken in Part II above that certain national policies have aggravated our geographical handicap by forcing our trade—both import and export—into east-west channels. In a sense our transportation problem has been created by these national policies which have been effective for many decades.

The construction and operation of our great railway systems have been a definite part of this National Policy. Reference has already been made to the origin and development of the Canadian Pacific Railway, but it might also be urged that the Canadian National system, if not a part of the National Policy, was certainly in its beginning and has continued during its development to be a direct instrument of national policy. The genesis of this system may be found in section 145 of the British North America Act, 1867, providing for the construction of the Intercolonial Railway. Subsequent acquisition of privately owned railways, including certain obviously unremunerative lines, indicates the national attitude to the importance of these instruments of transportation. Gradually a great system has been created through extensions and consolidations and this system is in truth a national system.

It is the submission of the Government of Saskatchewan that the handicap under which the people of the Province suffer in relation to heavy transportation charges has largely resulted from national policies which, while perhaps supportable from the standpoint of the nation, have involved a heavy price being paid by this region as a part of that nation. It is likewise the submission of the Government of Saskatchewan that the pattern of railway development has been a part of national policy and that these railways should be considered as instruments of national policy in removing the disadvantages under which the people of this Province suffer. This matter will be developed further in Part IV of this Submission.

In the opinion of this Province, relatively little can be achieved through modifications of the rate structure as such. Nevertheless there are several features in connection with the present rate structure which deserve attention. Accordingly, in this Part a variety of matters which are related to freight rates either directly or indirectly will be considered.

2. Board of Transport Commissioners

Closely connected with rates is the adequacy of supervision given by the regulatory body. It is the opinion of the Government of Saskatchewan that the Board as presently constituted, together with its technical personnel, is not an adequate body to deal with the transportation problems of Canada.

The opinion expressed in the previous paragraph has reference to the present duties performed by the Board. That opinion will be still more emphatic if the duties of the Board are enlarged as it is anticipated that they will be. In a later portion of this Submission it will be suggested that the Board should have and exercise a greatly enlarged jurisdiction over competitive rates. The Board should also be competent to carry out government policy, relating to development or otherwise, as expressed by Parliament.

It should be pointed out that no criticism of any of the present Commissioners is being made. It may no doubt be assumed also that in making appointments care is taken to secure able men who are conversant with public problems and with some interest in transportation matters. The technical personnel of the Board is, however, completely inadequate. It should be enlarged and strengthened by the appointment of accountants, economists, engineers and others who will be competent to understand and deal not only with routine matters but with transportation as a national problem. Matters of development, matters of co-operation among the railways, for instance, are worthy of serious consideration by competent advisers.

It is also respectfully suggested that more appropriate and adequate quarters should be found for the Board and its staff.

3. Accounting Practices

The principle that railways and other utilities should be subject to regulation by a competent public body has long been established. In Canada the regulatory body is the Board of Transport Commissioners. It is the position of this Province that no effective regulation of rates can take place without supervision of the accounting policies and systems of the railways and without a uniform accounting and reporting system prescribed by the regulatory body and enforced on the railways through periodic inspection of their accounts.

The principle is rendered more important through the fact that the railways constitute the largest public utility in Canada. In 1948 railway operating revenues for Canadian railways amounted to \$876.4 millions, or 6.9 per cent. of the national income. In view of experience in the recent rate cases the Province takes the position that the Board should assume responsibility for production of all data which may be relevant to the adequacy of rates and that special information required in rate cases by the respondents should be produced under direction of the Board and its technical advisers. Schmidt, a leading authority ¹ on public utilities, has written as follows regarding this matter:

"The theory underlying the creation of utility commissions was that the utilities could be expected to protect their own interests but the customers could not; hence the commissions were designed to act as "people's defenders" and to adopt a policy of continuous scrutiny of company policy attempting at all times to foresee the effects of policies and to advise and order changes in the public interest."

The propriety of the cash operating expenses being charged by the utility to the user can best be governed through a uniform system of accounts, coupled with periodic inspection of the accounts by the regulatory body.

¹ Emerson P. Schmidt, *Public Utility Economics*, (1940) p. 205.

Without implying any lack of good faith on the part of the management, when the dividing line between capital and maintenance is not clearly defined by the regulatory body and in the absence of specific and detailed directions as to accounting in that connection, it is only human nature to charge the maximum to operating account and therefore against the user, and the minimum to capital, that is, against the owners of the utility. It is suggested that it is not proper, as the railways assume, that management should be the arbiter as to what maintenance should be charged to the user. In the matter of depreciation, it is not proper that the rates set by management should be accepted without investigation and production of supporting factual data to establish their validity. "Improvident or unreasonable operating expenses thus may have an effect on customers' rates as adverse as, or more adverse than inflated rate base or exorbitant rate of return."

It is suggested, therefore, that there be prescribed by the Board of Transport Commissioners a uniform system of accounts fully detailed as to the content of each account and giving particular attention to the separation as between what is operating cost and what is capital. It is further suggested that there be prescribed a uniform policy as to provisions for retirement of plant. The Board should have the right of inspection, by its technical staff, of the accounting and statistical records maintained by the railway. A standard form of annual report to the regulatory body fully detailed as to all necessary statistical and accounting information and available to the public which pays the rates, should be in existence. There should be tests of maintenance and expense levels as to normality. The results to be achieved from the adoption of the foregoing would mean uniformity of accounts from year to year as between the different companies under regulation. It would also mean uniformity of interpretation through periodic rulings of the regulatory body. It would mean that the rules of the Board were being followed. It would also mean a standard policy of provision for retirement co-ordinated with the maintenance policy with which it must be integrated.

The Interstate Commerce Commission now has a fully developed system complete with underlying rulings on marginal issues. It is recognized that Canadian railways have been following accounting rules established by the Interstate Commerce Commission. In Canada, however, management interprets these rules as part of its prerogative. This can be seen by an example from the evidence relative to the N2 locomotives in the 20% case ² and the difference that arose between the accounting and engineering concepts of the word "rebuilt". The result might be highly disadvantageous to the user by making improper charges to maintenance when the physical needs of the railway are being satisfied.

The Government of Saskatchewan wishes to point out most emphatically that the above suggestions are made on the assumption that subsidiary ventures such as the hotels and the mining investments of the Canadian Pacific Railway will be considered as railway investments for the purposes of rate making and that the accounting practices of these subsidiaries will be subject to the scrutiny of the Board. The Canadian Pacific Railway was incorporated and sponsored for the purpose of providing transportation to the Canadian people and their investments should be treated accordingly.

² See Official Transcript of Evidence *20% Increase in Freight Rates Case* 1949. Vol. 813, pp. 2966-7.

4. The Hudson Bay Route

The Government believes that a substantial measure of relief for the people of this Province against high transportation costs could be obtained through a fuller utilization of the Hudson Bay Railway and the port of Churchill. This would undoubtedly involve the extension of port facilities.

The great expectations arising from the completion of the Hudson Bay Railway have not been realized although some progress has been made. There is much bitterness in the Province of Saskatchewan over the small use made of the route in face of evidence which seems to demonstrate its feasibility. The great saving in distance in the rail haul to tidewater would enable this route to provide a substantial service to prairie areas in relation to both exports and imports. Moreover, its strategic location in relation to northern mining development places it in a position of even greater potential importance.

No good purpose would be served by attempting to assess the fault for the limited use of this transportation facility. It is only natural to suppose that competitive shipping interests in eastern Canada do not look on this route with favour and that when trade channels have been firmly established there is a good deal of inertia to be overcome even among those who might benefit by a change. Regardless of blame it is suggested that no proper test of the value of the route has ever been made.

The suggestion is here made that a full scale test of the route should be made under proper supervision. Apparently there has been little co-ordinated effort in the past by the various interested agencies looking to the development of the port. If a federal agency interested in exploiting the full use of the railway and the terminal facilities were to give attention to this matter for a fair period of trial, it is believed that the feasibility of the route might well be demonstrated. Attention should also be given to rates and to diversion charges allowed by the Wheat Board.

A study of the submission of the Hudson Bay Route Association ³ is recommended to the Commission in the hope that a fair test of the usefulness of this route may be obtained.

5. Rail Extensions and Development Lines

A satisfactory transportation service involves not only reasonable rates but adequate service as well. The area served by railways in this Province is very large so that despite the rapid extension of lines there are still many gaps to be filled and large areas in the north that are badly in need of transportation facilities.

At the regional Hearings in Regina an outline was presented and a map filed as Exhibit 13-C, of extensions of rail lines in northern Saskatchewan to link up existing facilities and provide railway connections with mining areas. It is recognized that the operation of development lines might in the early stages prove unprofitable but that has been true of many established lines which were unprofitable in their initial stages. The development of proven areas should not be retarded by lack of transportation facilities.

Another problem in railway facilities arises at several points in this Province. This is the problem created by gaps in existing railway lines. It

³ See *Submission to the Royal Commission on Transportation by Hudson Bay Route Association* (Saskatoon, June, 1949, mimeo.).

is not proposed here to specify all instances where these gaps occur but two might be mentioned as examples. The 37 mile gap between Val Marie and Mankota has been the subject of many representations to Provincial and Federal Governments and to the Canadian Pacific Railway by the residents of south-western Saskatchewan. The substantial development of irrigation in the Val Marie area under the P.F.R.A. programme of the Federal Government has been referred to while the hardships created in the past and the limitations imposed on future development have also been brought to the attention of the Commission in the Brief of the "Fill-the-Gap" Association⁴ presented at Regina. The Province strongly suggests the necessity for the completion of this railway line. A further example of an incompleted line is the gap between St. Walburg and Beaver Crossing. Representations have been made to Canadian National Railways in respect to this extension. The inconvenience and high rates resulting from back-hauls necessitated by incompleted lines impose distinct hardships on sections of the population involved. It is urged that the final determination of matters of this kind should not be solely in the hands of railway management.

A somewhat different situation was pointed out in the brief presented by the R.M. of Coulee.⁵ A railway line has been completed from Neidpath to Swift Current but has not been placed in operation. It might be mentioned also that a number of railway lines converge on but do not reach the city of Swift Current. The Province recommends that a study be made by the Commission of the facts surrounding the need for completion of such gaps and of railway extensions with particular attention to the instances presented by witnesses who have appeared before the Commission.

This Province came late on the scene of Confederation and is as yet comparatively undeveloped. The rate of development has undoubtedly been hampered by the impact of national policies. The railway systems represent an integral part of national policies and it is suggested that in the national interest and in the interest of this Province and of neighbouring provinces lines should be extended to northern areas which show promise of making a contribution to the economy of the community.

6. Special Cases

Much has been said during regional Hearings about certain special rates, lower than standard, which have been in effect for a long period of years and have now undergone or are in the process of undergoing substantial increases over and above the general increases applicable to all rates. Specific reference may be made to special seed grain rates, purebred livestock and exhibition rates, and farm implement rates.

It is the contention of this Province that rates of this nature put in many years ago as an important measure of assistance to the development of an industry come to be relied upon, and that any substantial disturbance of such rates may threaten the continued existence of the industry concerned. Strong evidence of the danger of this was given at regional Hearings in

⁴ See *Submission to the Royal Commission on Transportation presented by the "Fill-the-Gap" Association* (Val Marie, June, 1949, mimeo.).

⁵ See *Submission to the Royal Commission on Transportation presented by the Rural Municipality of Coulee* (R.M. 136) (Burnham, June, 1949, mimeo.).

western Canada.⁶ The railways should not have the sole discretion as to the continuance of such rates. While this condition exists, railways exercise virtually a determining influence over the very lives of such industries. The situation and the principle involved in this type of rate are entirely different from those related to competitive rates.

It is specifically suggested to this Commission that tariffs of this nature should not be disturbed except after a thorough inquiry into all the circumstances, economic and otherwise, which would follow from such action. A review by the Board before adjustment of these rates should be mandatory and that review should include the most careful consideration of all the factors involved. It is further urged that increases of this type which have been announced but not yet put in effect should not be made until this Commission has had an opportunity to consider the matter.

7. Regional Costs

It is not contended that freight rates should be based on regional costs although there is some opinion in favour of such a theory. It is submitted, however, that the costs in the prairie region are low and that this is a factor which should be an argument against abnormally high rates in the region.

When the nature of the terrain, climatic conditions and other factors are considered, the conclusion seems obvious that construction, maintenance and operation costs must be comparatively low in this region. A study has been requested on this question and it is hoped that the investigation will be adequate. In this connection the position is taken with absolute definiteness that the high costs of construction and operation in the region north of the Great Lakes can in no sense be chargeable to the prairie region. This route was dictated by the National Policy and the prairie region ought not to pay additional costs as a result.

A reference to the removal of the Mountain Differential, with its apparent indication of an abandonment of the regional costs theory, is appropriate at this time. During the course of the Hearings on this question the following statement was made on behalf of the Province of Saskatchewan.⁷

"The Government of Saskatchewan feels that, should the facts as ascertained by the Board be such as to demonstrate conclusively that an injustice is being done to the Province of British Columbia, then it would follow that the Province of British Columbia would be entitled ultimately to relief in some form. The Government submits, however, that the Mountain Differential is but one of a number of examples of alleged inequality in the

⁶ See *Brief presented on Behalf of the Saskatchewan Cattle Breeders Association to the Royal Commission on Transportation* (Regina, June, 1949, mimeo.) and *Joint Presentation of Alberta Crop Improvement Association, Alberta Seed Growers Co-operative Limited, Alberta Branch Canadian Seed Growers Association, Saskatchewan Seed Grain Co-operative Limited, Saskatchewan Forage Crop Growers Co-operative Marketing Assn., Saskatchewan Branch Canadian Seed Growers Assn., Manitoba Crop Improvement Association, Manitoba Branch Canadian Seed Growers Association, to the Royal Commission on Transportation*, (Winnipeg, June, 1949, mimeo.).

⁷ See Official Transcript of Evidence, *Mountain Differential Case*, 1948. Vol. 799, pp. 3496-7.

Canadian freight rate structure and further submits that a thorough review of the entire rate structure would establish that the burden of maintaining transportation services in Canada as a whole falls with undue severity upon the people of Saskatchewan and the Western provinces generally. For these reasons the Government of Saskatchewan strongly urges that all instances of alleged discrimination be considered as part of the entire national transportation problem."

The position of the Province might be restated as follows: the principle of regional costs is not being put forward as a basis for rate making, but it is strongly urged that a low cost area should not be forced to carry a heavier burden than high cost areas or than the nation as a whole.

8. Equalization

It has been emphasized in the earlier portions of this Submission that rail transportation is vital to Saskatchewan's welfare and that without an efficient railway system the Province could not survive or make its contribution to the welfare of the Dominion. The people of Saskatchewan are fully conscious of their complete dependence on rail transportation and consequently are anxious that their approach to the solution of the problem of transportation and transportation costs should be made in a spirit of co-operation with transportation agencies to the end that a policy fair to the railways and equitable to all users of their services may be evolved.

It is the desire of the Province of Saskatchewan to make clear that it recognizes that even those features of the rate structure to which this Province takes most definite exception have, in a very large measure, been forced upon the railways by circumstances which they have of necessity had to meet in a manner calculated to ensure their survival as efficient operating enterprises capable of serving the needs of Canada.

In this section no attempt will be made to enter into an exhaustive discussion of freight rates as such. Rather, an attempt will be made to indicate objectives and submit some suggestions as to how, in the interest of the Province and of the nation, those objectives may be reached with the greatest measure of equity to all.

It will readily be conceded that the word equality represents a concept of experience rather than of strict logic in the matter of rate making. To carry a ton of diamonds for the same total as a ton of coal might seem quite equitable when viewed superficially but it simply would not work in a practical world of commerce. Hence the concept of classes has been introduced into all rate structures. When classes have been introduced to the reasonable satisfaction of all, other complicating factors arise such as regional costs and competing agencies. As a result the whole business of freight rates becomes complicated indeed and it will readily be admitted that an apparent patchwork may be the necessary result of actual experience in the competitive commercial world.

* It has, nevertheless, long been the contention in the western region that as between East and West there has not been an equality in the matter of railway freight rates. More specifically it has been alleged that rates are higher in the West than in the East and that there is no reasonable ground on which this differential can be justified. This complaint is made without

reference to national policies on the basis of which special relief for the Province of Saskatchewan will be asked.

The Canadian freight rate structure embodies different scales of standard rates serving as maxima in different regions of the country. These differences are also reflected in various class rate scales. The relationship between these rates in the various rate zones is not consistent, since inconsistencies appear both with reference to classes and to lengths of haul. The reasons underlying this situation are not clear. An appraisal of the actual degree of inequality introduced in one region compared with another would require complete knowledge of the traffic moving on these rates, but that the relationship is unfavourable to the West seems apparent from the pronouncements of the Board in the past. Departures from class rate scales are so common, however, particularly due to the force of competition in the East, that equalization of class rates, although to be desired, would not bring about uniformity of effective rates. It would achieve uniformity of ceilings and place shippers and consignees moving traffic on these rates on an equality of treatment. As a principle, however, a uniform class rate structure has at least the virtue of simplicity to commend it.

Frequent reference has been made during the course of the Hearings of the Commission to the difference in treatment accorded to western and eastern Canada as a result of the distributing rates in the former and town tariffs in the latter. In the West, distributing rates apply on shipments from specified distributing centres to outlying consuming points whereas in the East town tariffs apply on movements in *both* directions *between* towns specified in the tariffs. It would appear that the application of the town tariff scheme would promote greater equality of treatment in the various regions and should the Commission's studies, requested by this and other provinces, confirm this view the town tariffs should be extended to apply in the West as well as in the Central Provinces.

Aside from such possible grounds of complaint as the one noted in the preceding paragraph there is a broader and much more deeply-rooted belief in the West regarding rate differentials. We believe—and there seems to be little doubt about the facts—that freight rates have been at a higher level generally in western regions than in the East. In the Saskatchewan Outline of Representations it was contended that “the evolution of the freight rate structure has resulted in definite unfairness to the prairie region.” (p. 7)

It will be conceded at once that a compelling statistical proof of this allegation probably cannot be made. Not all western rates are higher; some are lower. Moreover, a higher stated rate in a majority of instances is not conclusive without reference to the volume of freight moving under various rates and without an analysis of the distances involved. The Government of Saskatchewan is in no position to make an accurate study and no acceptable study has been made by anyone, not even by the Board of Transport Commissioners. It may well be doubted whether the Board or either of the great railways has made such a study or is in a position to do so without a long period of preparation.

Nevertheless the history of decisions by the Board of Transport Commissioners and official pronouncements of the Dominion Government are consistent with the position here taken and indicate the existence of a factual basis for this contention. It seems proper that some of these decisions and pronouncements should be reviewed at this point.

The equalization of freight rate levels has been for many years an avowed policy of the Dominion Government and of the Board. In the *Western Freight Rates Case*,⁸ decided in 1914, the history of toll making in Canada east and west of Fort William was reviewed, the Board finding that no reduction in tolls had heretofore been made in eastern Canada as a result of charging higher tolls in western Canada, although it was admitted that the tolls were higher in western than in eastern Canada, and that prima facie discrimination in such tolls existed. The Railway Act as it now stands does not forbid all discriminations and preferences but only unjust discrimination or undue preference. The Board found that the existing discrimination between tolls in eastern and western Canada was not unjust but was justified by effective water competition and by the competition of U.S. railways throughout eastern Canada.

Then in 1916 in the *Eastern Tolls Case*,⁹ the Chief Commissioner speaking for the Board is reported as follows:

"There is no doubt but what the Act requires and the general public interest of the country as a whole demands, that, if practicable, eastern rates should be advanced so that the different schedules may more nearly approach a parity [with western rates].

"I am aware that an absolute parity is impracticable, but, as conditions become similar, a reasonable parity ought to be obtained."

In the following year an extract from a decision of the Board is to the same effect:¹⁰

"While it is true that in so far as western territory is concerned, on the great bulk of traffic rates would only increase approximately 10% and eastern rates are, speaking generally, raised 15%, it must be borne in mind that, while the rates in the two different sections of the country are much nearer equality since the reductions worked under the *Western Rates Case* and the increases given under the *Eastern Rates Case* took effect, again, speaking generally, rates in the West are still higher."

In the rate increase effective August 1,¹¹ class rates were increased by 25 per cent. in both eastern and western Canada but in the territory west of Fort William the increase already allowed was disregarded. In effect class rates were increased by a greater amount in eastern than in western Canada thus further equalizing rates in the two regions. Commodity rates were increased in some instances according to a definite schedule but on commodities not enumerated the increases were higher in the East than in the West.

In 1920¹² the Board granted a general increase of 40 per cent. in eastern freight tolls and 35 per cent. in western freight tolls. After repeating, with approval, the Board's decision, quoted above in re *Eastern Tolls*, the

⁸ See *In re Western Tolls*, 17 C.R.C. 123 (1914).

⁹ See *In re Eastern Tolls*, 22 C.R.C. 4 (1916), at p. 41.

¹⁰ See *In re Increase in Passenger and Freight Tolls*, 22 C.R.C. 49 (1917), at p. 84.

¹¹ See *Vol. VIII J.O.R. & R.* 277 (1918).

¹² See *Railway Association of Canada v. Canadian Manufacturers Association, et al.*, 26 C.R.C. 130 (1920).

Chief Commissioner stated ¹³ "... I am of the opinion that it is justifiable to allow a reasonably less percentage of increase on freight tolls west of Fort William than east thereof."

The Governments of Manitoba and Saskatchewan appealed the Board's decision in the 1920 case to the Governor General in Council and on October 6, 1920, it was referred back to the Board with the following statement, *inter alia*: ¹⁴

"Whether or not these reasons [for the difference in rates between eastern and western Canada] now obtain in any substantial degree is a question which requires minute and expert investigation such as can be best conducted by the Railway Commission itself and not by Your Excellency's Advisers, but the Committee is strongly impressed with the very great desirability of bringing about with the least possible delay equalization of Eastern and Western rates."

The Board in its judgment, ¹⁵ reviewed its previous decision as directed by the Governor General in Council but refused to make any alterations in the increases previously allowed on the grounds that (a) the interjection of equalization into the rates case was purely incidental; (b) the Board would not have been justified in attempting to deal with so important a question at such short notice; (c) the factors which first led to the establishment of these differing rates, namely, water competition and that offered by the railway lines of the eastern United States, had been for some years in an abnormal and unsettled condition and that their future influence on rates in eastern Canada was an entirely unknown and unpredictable quantity. The Board, however, declared that it was prepared in compliance with the request of the Governor General in Council to take up the question of equalization at once.

In consequence of a study undertaken by the Board some relief was given to the western region and the following significant statement appears in the decision: ¹⁶

"While as a consequence, naturally to be expected, from difference of conditions, many prairie rates have a spread over the eastern rates, the course of the decisions of the Board, including the present decision, has been to narrow this spread wherever possible."

Accordingly, the Board reduced rates in western Canada to 12½ per cent. and in eastern Canada to 17½ per cent. above the levels which prevailed prior to September 6, 1920, when the decision in *Railway Association v. Canadian Manufacturers Association* became effective.

Under Order in Council P.C. 886, June 5, 1925, the Board was directed to make a general investigation of freight rates. The policy of the Government and of the Board was declared to be one "... of equalization of freight

¹³ See *Railway Association of Canada v. Canadian Manufacturers Association, et al*, 26 C.R.C. 130 (1920), at p. 143.

¹⁴ See *Governments of Manitoba and Saskatchewan v. Railway Association of Canada*, 26 C.R.C. 147 (1920), at p. 151.

¹⁵ See *Governments of Manitoba and Saskatchewan v. Railway Association of Canada*, 26 C.R.C. 298 (1920).

¹⁶ See *re Freight Tolls*, 27 C.R.C. 153 (1922), at p. 177.

rates . . . to the fullest possible extent as being the only means of dealing equitably with all parts of Canada . . ." In its decision,¹⁷ the Board dealt with numerous inconsistencies in the rate structure, with the rates on grain through Vancouver, the transcontinental rate scale, and the Mountain Differential. It did not, however, deal specifically with prairie vis-a-vis eastern rates.

Thus it can be seen that the trend of the Board's decisions has been steadily toward equalizing rates in eastern and western Canada. This trend has been consistently supported by the Government of Canada.

In the decision of the Board in the 21 per cent. case (Order 70425) delivered on March 30th, 1948,¹⁸ there was no effect given to the repeated claims of east-west disparities. It is to be noted, however, that P.C. 1487 issued by the Dominion Government after studying Board Order 70425 granting the 21 per cent. horizontal increase, referred to P.C. 886 of June 5, 1925, and ordered a general rate investigation:

"with a view to the establishment of a fair and reasonable rates structure which will, under substantially similar circumstances and conditions, be equal in its application to all persons and localities so as to permit the freest possible interchange of commodities between the various provinces and territories of Canada and the extension of Canadian trade both foreign and domestic, having due regard to the needs of agriculture and other basic industries."

Thus it will be seen that equality is still a principle having the approval of the Federal Government. In view of its influence on relative rate levels a word has already been said with respect to the removal of the Mountain Differential.

Several observations were made respecting the freight rate structure in the Saskatchewan Outline of Representations filed with the Commission. For example:

"In making representations to the Commission the Government labours under the handicap that detailed statistical material is not available for examination and study. Consequently in the following sections of this outline it will be respectfully suggested that the Commission should undertake the responsibility of having proper investigations made into certain specific matters. We are of the opinion that this is the only method by which reasonably exact information may be obtained." (p. 1).

Among the foremost of these ~~investigations~~ ^{representations} were the following:

"(1) that a careful study be directed by the Commission regarding the differential between the actual rates in the prairie region and other regions; (2) that a careful study be made of the costs-revenue ratio in the prairie region and the other regions; (3) that rates in this province and region be drastically reduced not only on the merit of the arguments suggested above, but also as a protection against disaster to the province in the future—a disaster which would threaten national unity." (p. 4)

The determination by the Commission of the facts respecting effective rate levels and differentials generally as between the various regions is

¹⁷ See *In re General Freight Rates Investigation*, 33 C.R.C. 127 (1927).

¹⁸ See *Re General Increase in Freight Rates*, 62 C.R.T.C. 1 (1948).

regarded by this Province as essential. Factual information so obtained will provide a basis for appraising the relative regional impact of the burden of maintaining essential railway services in Canada. Such an investigation is quite beyond the facilities of any province to undertake, but that a differential has existed and that the disparity has been unfavourable to the West seems clearly established in the pronouncements of the Board of Transport Commissioners and the Dominion Government.

The position of the Province is made abundantly clear at pages 64-5, Part II above. In brief, the net result of increased competition by other carriers has been to impose on the prairie region a larger comparative load in order that railway earnings might be maintained at an adequate level.

Saskatchewan believes that railways are the most essential transportation agencies in Canada, and that they are and should be considered as truly national in their scope. Some improvement can doubtless be made in the rate structure. Such relief, however, will be relatively trifling and will not of itself be sufficient even if all differentials are removed. Something further will be required if the injustice created by the operation of the National Policy on this region is to be corrected.

In closing this section it should be pointed out that not all injustices will be removed even by drastic changes in freight rate levels. This Province, along with Alberta and portions of Manitoba, has suffered and continues to suffer a gross injustice as a result of certain tax exemptions given to the Canadian Pacific Railway.

This exemption was provided for by clause 16 of the contract with the Railway ratified by chapter 1, Statutes of Canada, 1881. The clause reads as follows:

"16. The Canadian Pacific Railway, and all stations and station grounds, work shops, buildings, yards and other property, rolling stock and appurtenances required and used for the construction and working thereof, and the capital stock of the Company, shall be forever free from taxation by the Dominion, or by any Province hereafter to be established, or by any Municipal Corporation therein; and the lands of the Company, in the North-West Territories, until they are either sold or occupied, shall also be free from such taxation for 20 years after the grant thereof from the Crown."

The question is now before the courts as to what lines of the Canadian Pacific Railway the exemption from taxation extends. It is here submitted that as a matter of elementary justice the exemption should be entirely removed and that it is a question properly to be considered by the Commission.

9. Competitive Rates

It is the view of the Province of Saskatchewan as stated at page 4 in its Outline of Representations that "the matter of competitive rates will, and should, assume a very considerable importance in this investigation." The Commission was requested by the Province to make certain studies to ascertain the facts relative to competitive rates, the adequacy of their level and whether the extension of control over rates and services of competing agencies should be recommended.

It is important, in any consideration of the competitive rate aspect of the Canadian freight structure, to bear in mind the history of the develop-

ment of this class of rates particularly in recent years. Competitive rates may roughly be divided into water compelled and truck competitive. The competition also may be real or potential.

Water competition in eastern Canada has from the inception of railways exerted considerable influence on the rate structure in that area. The movement of traffic by water of course antedated the building of railways. This natural alternative means of conveyance has been improved from time to time by the expenditure of public funds out of the national treasury which has increased the competitive force exerted by the natural waterway. It may be said here that the Province of Saskatchewan acknowledges that to some extent and for a portion of the haul this competition has provided somewhat lower overall rates for Saskatchewan products and Saskatchewan requirements. Nevertheless, with water competition concentrated entirely east of Fort William (except for the Panama compelled transcontinental rates) and the total lack of navigable waterways on the prairies, it is certain that the benefits flowing from this type of competition, both real and potential, are of relatively greater importance in eastern Canada than on the prairies. In sharp contrast to the situation on the prairies the movement of an extremely large proportion of total traffic in the East comes under the influence of water competition. In fact practically all large industrial centres are located on the natural waterways, taking advantage of the benefits which such locations offer.

Water competition has thus undoubtedly exerted a potent influence on rail rates, and consequently railway revenues. Of at least equal significance, however, particularly since the general adjustment of rates in 1927, the rate structure then established has suffered from the heavy impact exerted by the growth to major proportions in eastern Canada of uncontrolled truck competition. Great improvements in highways and technical advances resulting in larger and more efficient motor trucks have brought about a steady growth in traffic susceptible to truck transportation forcing the railways to establish very low rates in order to retain a share of this type of traffic. Whatever may be said of the equity of the rate structure established in 1927, as a result of the general investigation, there can be no question but that it has been very substantially distorted by the steadily increasing prominence of the motor truck in the transportation field.

The problem thus created for the railways and for their customers has been rendered the more serious from the national point of view by the tremendous regional variation in the force of this competition. These regional differences arise from a number of different causes. In the first place the widely scattered nature of population distribution in western Canada, and particularly in Saskatchewan, has made the building and maintenance of hard-surfaced roads far too expensive a procedure for the Province to bear except on an extremely limited scale. By contrast, in eastern Canada population is more concentrated due to industrialization and the location of large urban centres contiguous to natural waterways. This has facilitated the building of a very complete network of highways of high standard. Secondly the rigours of the western climate drastically limit truck transportation during a substantial period of the year. The limitations actually are greater than the length of the winter season might suggest for during the spring break-up trucks are denied the use of the highways until the frost is out of the sub-base. This limitation applies even to the hard surfaced roads that do exist in the Province. By Ministerial order trucks

are also banned from time to time during periods of heavy rainfall. This again is in sharp contrast to the situation in eastern Canada where truck transportation is carried on all the year round. Important as these factors are in limiting trucking generally in western Canada, in Saskatchewan and also in Manitoba the operation of motor trucks on provincial highways is closely regulated in the matter of franchises, routes of operation and, above all, rates which may be charged. In Saskatchewan the regulations of the Highway Traffic Board, the regulatory body, are on record with the Commission, being filed in Regina as Exhibits 17 and 17-A. In eastern Canada, it is understood, except for licensing and certain safety measures, truck transportation is entirely uncontrolled and is free to offer the railways the keenest and most wide-spread competition. The monopoly position of rail transportation has definitely been lost in eastern areas and rail rates have been subjected to drastic reductions.

The Province of Saskatchewan does not blame the railways for the situation that has developed as a result of these influences. Likewise, with its limited jurisdiction, the Board of Transport Commissioners can not be held responsible for the disruption of the rate structure created as a result. Its powers do not at present extend to truck control and the fact of the existence of truck competition has had to be faced by both the Board and the railways. Far from protecting the integrity of the rate structure, the revenues of the railways, and the equality which should exist between shippers and consignees in various regions in Canada, the Railway Act appears to leave a loop-hole, in that discrimination and preference is not prohibited but only "unjust" discrimination or "undue" preference. Thus truck competition has been considered by the Transport Board as justifying the anomalous situation repeated time and again whereby different users of railway transportation are charged different prices for the same service. Competitive rates, without any question, give certain areas an advantage over others and the relative competitive position of different areas is subject to frequent change.

If the forces of competition were equally distributed across the country and if the resultant rail revenues still provided adequately for railway needs, competition would serve equally the interest of all users of rail transportation services. Obviously this condition does not exist. It is obvious that had it not been necessary to institute the various competitive rates the railways would have received considerably more revenue annually. It seems safe to say, therefore, that in no small measure reduction of rail revenue as a result of the inroads made into the rate structure by competitive rates, largely in eastern Canada, helped to precipitate the situation which induced the railways to make application for rate increases. Thus it can plainly be seen that not only do wide disparities become firmly introduced into the rate structure as a result of the efforts of the railways to meet competition, but when the device of a horizontal percentage increase is resorted to these disparities are accentuated.

It should be pointed out that in recent months the railways have made substantial increases in many competitive rates over and above the 21 per cent. general increase allowed in April, 1948, and the disparities introduced into the rate structure as a result of competition are probably less today than two years ago. To whatever extent the situation has thus been temporarily improved, however, it must be borne in mind that competitive forces in the East are a constant threat to the rate structure against which western users of rail transportation should be afforded some protection.

It is submitted that the consideration of competitive rates involves two distinct problems. There is first the necessity for regulatory measures to provide for an examination of the propriety of individual competitive rates or groups of competitive rates.

The difficulty, or probably the impossibility, of railway officials determining when a competitive rate reaches the point that an actual loss occurs is one of the dangers inherent in the present method of establishing competitive rates. During the recent revenue cases before the Board of Transport Commissioners railway officials indicated the impossibility of ascertaining the actual costs of moving any given consignment of goods and expressed the opinion that in determining rates judgment and experience played an important part. Rate-making is not, and probably cannot be made, an exact science.

The difficulties involved should not, however, excuse definite action being taken to provide regulatory machinery to control competitive rates. In view of their number and influence on the overall rate structure it stands out as one of the major anomalies of rate control in Canada, that the present regulatory body is not required to approve competitive rates and apparently has no jurisdiction over them except on complaint against an individual rate. The problem of competitive rate levels is not one that stops at individual rates. It is a cumulative problem with the institution of one competitive rate causing pressure for others. Furthermore, it is probable that competition will become an increasingly serious problem for the railway system of Canada in the future. The vital part which railways must continue to perform demands the most careful consideration of the impact of competing carriers.

Saskatchewan recognizes that competition, unequal as its impact is geographically, is nevertheless a fact which must be faced in a realistic manner. As business enterprises the railways should retain some freedom to meet legitimate competition by instituting competitive rates, subject to investigation and approval of the Board of Transport Commissioners. It would seem that the investigation should be aimed at determining authoritatively the validity of the claims upon which the rate was based, the effect on rail revenues and particularly some affirmative assurance that the traffic involved will not be carried at a loss. It is not the desire of the Province at this time to draw up a formula which should be followed, but to clarify the views expressed above it is suggested that a competitive rate could be instituted by the railways and filed with the Board together with all data supporting the alleged necessity for its institution. A responsibility would then rest on the Board to investigate, within a stated period, the validity of the data so presented and determine the desirability or otherwise of allowing the rate to continue in effect. Implicit in the foregoing is, of course, a review and determination on the basis outlined of the propriety of existing competitive rates.

The above observations on the control of competitive rates appeal to the Government of Saskatchewan as the most satisfactory solution. The suggested procedure assumes that the Board of Transport Commissioners will examine each rate seriously and that a competent staff will be available to do the work thoroughly. This suggestion seems more satisfactory than the institution of a rate floor above which the railways may experiment freely with little fear of challenge.

The second problem in the control of competitive rates is, perhaps, peculiar to truck competition and involves control of trucking and possibly of trucking rates. It was suggested in the Saskatchewan Outline of Representations that the Commission might consider "whether, in the light of the information obtained, [by investigation of the whole matter of competitive rates] control should not be extended over rates and services of competing agencies either by the Board of Transport Commissioners or by some other body." (p. 5) This suggestion is reaffirmed at this time.

There seems little doubt that the control of the Board should be extended to the matter of inter-provincial trucking, both as to rates and the conditions of service. The further opinion is expressed that a uniformity of control over all commercial trucking would be desirable either through co-operation among the provinces or by a vesting of jurisdiction in the Dominion to the end that control might be delegated to the Board. The Government of Saskatchewan is prepared at this time to surrender jurisdiction over freight rates, in the case of all commercial trucking, to the Board of Transport Commissioners but it would wish to reserve such a measure of control as to protect the provincial highways and also protect the revenue position of the Province. The suggestion is also made that effective control might be exercised by provincial boards with an appeal to the Board of Transport Commissioners on matters coming within the area of centralized control. The question of jurisdiction is a difficult one, but it deserves consideration by all parties concerned.

The Government further suggests that the investigation of truck competition should be a searching one. There is some reason to suppose that if the rapid destruction of the highways by loaded trucks is taken into consideration it would appear that the cost to the public is greater in the case of truck transportation than in railway transportation.

Further to the question of competition in the transportation field the attention of the Commission is drawn to page 7 of the Saskatchewan Outline of Representations. It is there suggested that a study of the possible contribution which public ownership of all railways could make to the solution of Canadian transportation problems might well be undertaken.

10. Long Haul Rates

In section 8 of this Part, above, some attention was given to the matter of equality. It was recognized, however, that the concept of freight rate classes has been forced upon us by the weight of experience. With this recognition a uniform class rate structure throughout the country seems to be theoretically sound.

Let us suppose that a uniform class rate structure is established. Immediately exceptions will be forced by the competition of other carriers and a competitive rate structure will develop. This phenomenon has actually occurred in Canada.

Granting the inevitability of competitive rates, even though under the close supervision of a regulatory body, two other factors must be noted: first, the recognized principle of tapering rates, applicable to long hauls, and secondly, the fact that the prairies have been grievously prejudiced by certain national policies. In the opinion of the Government of Saskatchewan it is imperative that the situation be corrected through lower long haul rates to and from the prairies.

In the view of this Province there has been a shift in the relative burden of maintaining railway services as a result of the institution of the many thousands of competitive rates, chiefly in eastern Canada. This point may be illustrated by a hypothetical example. Let us assume two identical traffic movements for which the rate in both cases is \$1.00. Genuine competition develops in one area and the \$1.00 rate becomes depressed to \$0.50. The original revenue total of \$2.00 was derived equitably from the two rates of \$1.00 each. With the pressure of competition two things happened. The total revenue dropped from \$2.00 to \$1.50 and instead of each area contributing the same amount to the support of an asset vital to both, the competitive area now contributes \$0.50 less than the non-competitive area. This is illustrated in lines 1 and 2 of Table I.

TABLE I

	Rate A	Rate B	Total Revenue	Relation between A and B
1. Original rates	\$ 1.00	\$ 1.00	\$ 2.00	Equality
2. Competition develops at B	1.00	.50	1.50	Disparity \$ 0.50
Restoration of Revenues Requires Overall 33 1/3% increase.				
3. If Competition has disappeared	1.00	1.00	2.00	Equality
4. If horizontal increase applied	1.33 1/3	.66 2/3	2.00	Disparity \$ 0.66 2/3
5. If force of competi- tion same as at 2.	1.50	.50	2.00	Disparity \$ 1.00

While the ultimate result of rate cutting to meet competition may not immediately become apparent the cumulative effect of this process carried on year after year in increasing tempo must eventually reveal itself in the need for more overall revenue.

Under present regulatory procedure, when the need arises to restore revenues to the \$2.00 level the disparity which the competitive rate introduced may be decreased, maintained or increased depending upon the force of competition at the time. Only if competition disappeared could this disparity be eliminated and equilibrium restored by raising the competitive rate to the normal level. In the event of the other extreme when no increase at all could be made in the competitive rate the whole of the increase would have to be obtained from the non-competitive rate and the disparity accentuated. Should circumstances be such that any horizontal percentage increase granted could be applied equally to competitive rates the disparity would naturally increase in terms of dollars and cents. These possible conditions are depicted in lines 3, 4 and 5 of Table I. Other combinations are, of course, possible. The point which it is desired to illustrate is that the existence of competitive rates in the rate structure unavoidably creates a disparity in the regional burden of maintaining the railways of Canada. There is a further consideration with respect to competitive and non-competitive rate differentials. In general it would appear to be difficult to refute the suggestion that if low competitive rates are profitable to the railways, non-competitive rates must be substantially more so. Whether or not competitive rates are profitable the non-competitive areas are shouldering a

greater burden for providing net revenues to the railways than are the competitive areas and it can hardly be denied that non-competitive areas are, in effect, subsidizing operations where competitive rates are in effect.

The need for changing these rates as competitive pressure varies and the need for putting in new rates to meet developing competition introduces an inherent element of instability into the rate structure and the desirable national objective of a uniform distribution of the responsibility for maintaining railway services cannot therefore be achieved, let alone maintained, within the limits of any rate structure capable of implementation.

The factors noted above are significant. Coupled with these factors is the particular problem of this Province, running through the entire economy—the problem of the long haul. The long haul is involved in marketing the natural and the processed products of the Province and in the importation of consumer and capital goods from the industrial East. This is a problem common to the Prairie Provinces generally, but as has been implicit in the economic appraisal appearing in Part I, it has a special significance for the Province of Saskatchewan. The problem of the long haul has been brought to the attention of the Royal Commission at the regional Hearings at Regina both by producers' organizations as mentioned elsewhere in this brief and by organized groups speaking primarily for the consumer such as the Local Council of Women, the Homemakers' Clubs and the Saskatchewan Federated Co-operatives.¹⁹

As previously set forth Saskatchewan products are bulky in relation to unit value and move in volume over long distances to reach domestic and export markets. Likewise imports from the East are heavy and great distances separate Saskatchewan from sources of supply.²⁰ This in itself imposes a heavy burden of transportation costs. To the extent that the western producer tends to bear the freight costs on his products in terms of a price less freight and on capital and consumer goods in terms of a factory price plus freight²¹ the burden is accentuated and the people of Saskatchewan thus forced to bear a much greater share of the cost of maintaining the national transportation system than people in other parts of Canada.

In the opinion of the Government of Saskatchewan the long haul rates must be drastically reduced. Such a reduction would, in a partial measure, at least, remove the handicap under which this Province has suffered as a result of the National Policy outlined in Part II.

¹⁹ See *Brief presented on behalf of the Local Council of Women, Regina*, (Regina, June, 1949, mimeo.), *Submission by Saskatchewan Homemakers' Clubs to the Royal Commission on Transportation* (Regina, June, 1949, mimeo.), *Brief to the Royal Commission on Transportation presented by Saskatchewan Federated Co-operatives Limited* (Saskatoon, May, 1949, mimeo.).

²⁰ See also *Submission of Regina Chamber of Commerce, Saskatoon Board of Trade and Saskatchewan Associated Boards of Trade* (Regina and Saskatoon, April, 1949, mimeo.) p. 7.

²¹ See *Saskatchewan Motor Dealers Association, Freight Rate Brief for Submission at Regina* (Regina, June, 1949, mimeo.).

11. Crow's Nest Grain Rates

The freight rates on export grain usually referred to as Crow's Nest Rates, offer a perfect example of long-haul rates, fixed as a matter of national policy.

To the suggestion that the profitability of the carriage of grain under these rates should be inquired into, the categorical affirmation is here made that even if such rates are non-compensatory, such a conclusion is completely irrelevant. The rates represent established national policy, the alteration of which would be ruinous to the wheat-growing areas.

The Province takes the position that the grain rates fixed by the Crow's Nest Pass Agreement constitute one of the basic conditions upon which the western agricultural economy was established and developed and which have enabled it to play its part in the economic life of Canada. The possibility of settling the West on a one crop economy and the desirability of speeding colonization of the prairies, induced the Government to enter into the Crow's Nest Pass Agreement to assist in bridging the gap which geography imposed between the producing plains and the economic markets of the world. The considerations which gave rise to Parliamentary action with respect to grain rates are as valid or even more valid today, for experience has emphasized a factor which was less apparent at the time the Agreement was made. This factor is the inherent instability inseparable from an economy so dependent on the vagaries of nature. In an earlier section the violent fluctuations in yield and in price have been emphasized.

Stability of transportation costs at the lowest possible level is an absolute essential to the survival of the wheat economy. This at one and the same time imposes the necessity for the continuation of Crow's Nest grain rates and the protection of their integrity by statute.

Saskatchewan is the leading wheat growing province of Canada, normally producing, as has been indicated, substantially more than one-half of Canada's wheat crop. Similarly it is the province subjected to the greatest hazards of nature and consequently the highest degree of instability. It is not too much to say that the continued ability of Saskatchewan to play its part in Confederation is dependent upon the prosperity of its wheat farmers, and that stable grain rates at a minimum cost are essential to that prosperity.

12. Specific Recommendations

The Government of Saskatchewan believes that the factual data presented in this Submission demonstrate that an unduly heavy and disproportionate burden for the maintenance of Canada's transportation system falls upon this Province. It is further submitted that this result is brought about by the nature of this Province's economy, dictated by natural conditions and circumscribed by national policy. The unequal benefits of competitive rates and the remoteness of the prairies from markets and sources of supply, constitute economic and geographic disadvantages under which the economy of the Province must operate. For these reasons remedial suited to these particular conditions must be sought. It might be well at this point to review briefly some ameliorative measures which have been applied in the past in different regions, designed to offset locational disadvantages and to coincide with the aims of national policy.

With respect to the removal of geographic disadvantages it is the view of the Province of Saskatchewan that the principles enunciated in the Mari-

time Freight Rates Act are sound. With a country as widespread as Canada it is obvious that some areas will be more and some less favoured by geography. The conditions and responsibilities of union into one nation impose restrictions on the freedom to take advantage of normal trade relationships open to an individual area determining its own destiny. Inherent in the passage by Parliament of the Maritime Freight Rates Act is a recognition of the principle of compensation for the restrictions imposed on regions by policies adopted in the interest of the broader concept of nationhood.

It has been pointed out that the reflection of the national policy of an integrated Canadian economy was also revealed in the opening up of the West by the passage of the Crow's Nest Pass Agreement Act (60-61 Victoria, Chapter 5). This Act, as is well known, called for certain reductions in rates on grain and grain products moving to Fort William and Port Arthur and on a fairly comprehensive list of commodities moving westward. The Act also provided not merely a rate arrangement but in its effect became the instrument of national policy upon which the western plains were settled. In 1925 the lower rates prescribed by the Agreement on commodities moving westward were cancelled. By this action a substantial element in the Agreement was removed and the West exposed to the full effect of distance from sources of supply.

It has been urged that the equalization of certain standard and class rate levels and the more comprehensive control of competitive rates, while desirable in reducing inequalities in effective rate levels between regions, will not and cannot solve the fundamental problem arising from the disproportionate burden for national transportation which falls upon western Canada. This is not to suggest that such inequalities as the Commission may find in existence should be ignored when recommending measures to lighten the burden in the Prairie Provinces.

The fundamental problem, and the one bearing most heavily on Saskatchewan and the adjoining provinces is the long haul involved in marketing western products and in importing necessary capital and consumer goods, on both of which movements the West tends to bear the transportation costs. It is completely logical, therefore, to explore the possibility of applying relief through reduction of those rates which bear with such severity on the people of the West. There can be little question but that a substantial reduction in rates on all products shipped out of the Prairie Provinces and on all commodities imported into these provinces would provide a measure of effective relief reasonably commensurate with the disadvantages under which the prairie economy must operate. For such a reduction there is ample precedent in the passage of the Crow's Nest Pass Agreement Act of 1897 and in the adoption of the Maritime Freight Rates Act of 1927. The inequity of the burden now shouldered by the Prairie Provinces has been clearly demonstrated and it should only remain to determine the means to be applied for its removal.

That the Maritime Provinces have laboured under a great disadvantage within the nation cannot be denied. A just cause for equalization within the nation has certainly been made out on more than one occasion and it is submitted that the Maritime Freight Rates Act is a most appropriate form of relief. Yet the Province of Saskatchewan and the neighbouring Prairie Provinces have also laboured under disadvantages, probably more onerous. Certainly the findings of the Royal Commission on Dominion-Provincial

Relations (1940) indicate a need of equalization at least equal to that of any of the three Maritime Provinces. The Maritime and Prairie regions have both suffered under the National Policy and we believe that the effects of that policy on the economy of Saskatchewan have been more disastrous than for any other province of Canada.

It is urged on behalf of this Province that an effective freight rate reduction, at least equal in degree to that provided for in the Maritime Freight Rates Act, shall be made applicable to all freight shipments (other than those covered by the Crow's Nest Pass Agreement) leaving or entering the prairie region. Just as in the Maritime region this will effect an equalization that is clearly justified. The benefit from such a reduction will go to all the people of the region, the people who now suffer as a result of national railway policies.

The Government of Saskatchewan wishes to emphasize that this relief is quite separate and distinct from the Crow's Nest grain rates. The statutory grain rates offer a powerful analogy as a partial compensation for the effects of national policies but these rates must be regarded as in a class by themselves and absolutely guaranteed by statute as a national minimum policy. The present recommendation affecting all other commodities finds a closer analogy in the Maritime Freight Rates Act.

PART IV

COMPENSATION THROUGH A NATIONAL TRANSPORTATION SUBSIDY

The approach of the Government of Saskatchewan to a solution of the problems under review by this Commission is founded on a broad concept of the part this Province has played and must continue to play in the national life of Canada. Thus in Part I of this Submission the historical background, the economic development, and the present position of Saskatchewan in the Canadian economy were carefully examined. Part II proceeded to an appraisal of the effect of some major national policies on the Saskatchewan economy and indicated the severity of the burdens which these measures have imposed on this region.

The overwhelming importance of railway transportation in the settlement and development of western Canada has been reviewed. In the scheme of Confederation railways became a condition of union, without which the subsequent history of British provinces on the North American continent would doubtless have been very different. Provision of railway transportation was inextricably associated with the birth and subsequent development of the new nation and Dominion railway policy has been in no small measure instrumental in determining the destiny of regions. The requirements of nationhood prescribed that railway lines should run entirely through Canadian territory. The national policy of a protective tariff barred ready access to United States markets and sources of supply and with the completion of the all-Canadian railway system the design was set for the east-west flow of commerce in Canada. That tariff policies have borne heavily on western Canada can scarcely be denied. That railway policy was devised to render effective the objectives of the tariff policy has been demonstrated. It follows with complete logic that in devising the future national transportation policy railways should again be looked upon as the instrument perhaps best adapted to the removal of disadvantages under which the Prairie Provinces have long laboured.

The recommendations of the Government of Saskatchewan are enunciated in Part III above and fall under two principal headings: first, the more comprehensive and more effective control of transportation matters in the Dominion; and second,—and of paramount importance—the implementation of measures to relieve this Province of a vastly disproportionate share of the burden of maintaining the nation's transportation system.

Several avenues which offer indirect possibilities of some amelioration have been explored. These relate to improvements in the regulatory machinery and extension of its area of control, both in the matter of rates and in facilities and services. Implicit also in the suggestions offered is the need for greater initiative by the Board of Transport Commissioners in the exercise of their functions.

Four particular aspects of the freight rate structure in Canada were examined in Part III above: (i) the principle of equalization of class rates; (ii) distributing rates and town tariffs; (iii) competitive rates; and, (iv) rates on the long haul.

On the basis of information presently available, Saskatchewan has expressed approval of a uniform basis of class rates and of uniform application

of the principle embodied in town tariffs. Concerning competitive rates, in addition to certain administrative recommendations, it has been pointed out that shippers in eastern competitive areas have substantial advantages. As to the long haul rates, reductions have been recommended to correct, to some extent, results of certain national policies and in some measure to compensate for inequalities in effective rates obtaining in the West as compared with more highly competitive areas.

The Province of Saskatchewan is fully aware that the implementation of any recommendations must take account of the fact that railways require a certain level of revenues to perform their functions efficiently. If substantially lower rates reduce rail income below the necessary level then clearly the required revenues must be obtained in some other way. Any measurable reduction obtained by any one region would, under existing circumstances, soon be reflected in further general rate increases.

It is conceivable that insofar as equalization of class rates is concerned, desirable adjustments could be made without materially affecting railway revenues. The same is probably true of the proposed replacement of distributing rates by town tariffs. Any alleviation from these sources would, however, by the same token, be relatively slight. If relief were substantial the anomalous situation would occur whereby railway revenues would fall and a general increase in rates would be inevitable. This would defeat the purpose of the reductions and perpetuate, if not intensify, the present situation.

Saskatchewan has made its major recommendation in connection with rates on long hauls. Justification for drastic reductions in the burden of these rates has been advanced in Part III above.

The Government of Saskatchewan can, however, see no way of achieving a measure of relief commensurate with the disability which has been imposed upon this region except by means of the application of public funds. Only through the use of the subsidy device can justice be accorded to the West while at the same time the railways are maintained as efficient operating units.

It has been demonstrated in this Submission that equity to the West demands drastic reductions in freight rates. Yet it seems clear that adequate redress cannot be granted by any conceivable adjustments within the confines of a practicable rate structure. This emphasizes the justification and the need for national funds being utilized to enable a truly national solution to be applied. With all the widely varied conditions to be found in Canada, the fact is that railway services are essential to all its people. Thus the importance of the Canadian railway system to the nation demands that no one region be called upon to bear an unduly heavy and disproportionate share of the burden of its maintenance. Simple equity furnishes ample justification for the application of the national subsidy device as an instrument for the achievement of the rate reductions recommended by this Province.

In considering the form which a subsidy may take the distinction should be kept in mind between the device employed under the Maritime Freight Rates Act and a payment made to remove a deficit resulting from transportation operations. The former is very simple and results in no change in the balance sheet of the railway. The latter will depend on the accounts of the railway and may fluctuate from year to year. It is probable that both devices will be necessary if the recommendations made in this Submission are adopted. The

objectives sought to be realized are two-fold: first, to secure an equitable rate structure, largely through drastic rate reductions; second, to insure that the equitable relationship shall be maintained. It is of fundamental importance that the comparative burden on the prairie region shall not be increased by gradual changes in the rate structure once an equitable situation has been created.

That a national subsidy is an appropriate instrument to make such rate reductions possible may be further demonstrated on several specific grounds:

(a) It is a principle of legislation under which railway freight rates are fixed in Canada that these rates must be just and reasonable. Yet the interpretation placed on this provision by the Board of Transport Commissioners has resulted in different rates being charged for the same service in different areas and, further, neither the Railway Act nor the jurisprudence built up by the Board has, or probably can, alter the fact that national policy and the nature of our economy have fastened upon western Canada a disproportionate share of the costs of the national transportation system. This Submission envisages a broader and more basic concept of equality in which those costs will be equitably distributed among all Canadians. Only through the subsidy device can this be achieved.

(b) During the hearings before the Commission there has been a tendency on the part of the railways to explain and to excuse the high freight burden of the prairies as being merely the natural outcome of geographical situation. This, however, is not the whole story, for in the case of the Province of Saskatchewan, national policies have tended to force trade into artificial channels and have compelled the people of the Province to pay freight on Canadian railways running east and west.

As an instance of a national policy operating against the interests of this Province reference has been made to the customs tariff. The customs tariff probably bears more heavily on Saskatchewan than upon any other province in the Dominion. The nature of our economy, essentially agricultural in character with comparatively little development of secondary industries, makes this inevitable. Further, the effect of the national protective tariff, whatever its merits or demerits from a national standpoint, is to force the people of Saskatchewan to use a large volume of manufactured goods transported over Canadian transcontinental railways. The cost is a heavy one. In the light of the historical facts it is submitted that partial compensation, at least, through a national policy of transportation subsidies would be both appropriate and just.

(c) The enquiry conducted by the Royal Commission on Dominion-Provincial Relations, 1937-39, indicated that the weakness of certain sections of the Canadian federation make for an unstable national economy. The Report of the Commission also indicated that the economy of Saskatchewan, characterized by intensive specialization in the production of an export staple and subject to two major uncontrollable factors—climatic hazards and world marketing conditions, is in a particularly vulnerable position.

The problems of an unstable national economy should not be aggravated by the imposition of special burdens on the weaker parts if there is any alternative. The alternative is to be found in reduction of the burden of freight rates through the device of a national subsidy.

(d) The railways of Canada were conceived as national undertakings and should be so regarded today. This is right and proper, for the railways

Re: SASKATCHEWAN SUBMISSION
TO THE ROYAL COMMISSION ON TRANSPORTATION

Please insert the following at Page 96 after paragraph ending with the word "created".

The proposals of the Province of Saskatchewan are clarified and defined in the following paragraphs:

First, as to what may be called deficit subsidies, that is payments from the public treasury to the end that the railway may continue to provide satisfactory services despite inadequate operating revenue, two statements should be made: (1) There is definitely no thought of freezing rates after equalization has been achieved thus putting the railways in the happy position of knowing that the budget will be balanced from the public treasury in any event; (2) no subsidy of this type will be necessarily involved if the railways have progressive management and a proper supervision is exercised by the Board of Transport Commissioners. The position of the Province is this: granting that substantial equalization is achieved then if as a result of rate reductions in other areas there is a deficiency of railway earnings, the situation should not be corrected by higher rates in Western Canada, and other vulnerable areas. Under such circumstances a subsidy should be resorted to. Subject to this, normal rate fixing should proceed, under the supervision and guidance of the Board. Indeed both rate changes and such a deficit subsidy will be under supervision of the Board, strengthened it is expected, as suggested in an earlier portion of this submission.

As to the other type of subsidy modelled on the Maritime Freight Rates Act, the proposal of the Province is specifically as follows: that the subsidy be in the form of a deduction from all freight bills on all rail freight traffic movements within the boundaries of the Provinces of Manitoba, Saskatchewan and Alberta, on all rail freight and lake and rail movements within Canada originating in these Provinces to point of destination in other Provinces and on all rail and lake and rail freight movements within Canada terminating in these Provinces, from points of origin in other Provinces, excepting grain and grain products moving at Crow's Nest Rates.

This proposal, it is submitted, is in close analogy with the Maritime Freight Rates Act. It is also designed to correct the impact of national policies by extending the reductions throughout the entire length of the long haul on both incoming and outgoing freight. The proposal ought more properly to be described as a compensation rather than a subsidy. This proposal essentially involves a percentage reduction on all freight bills enumerated above.

It is further proposed that the details of this device shall be under the administration of the Board of Transport Commissioners pursuant to a general Act of the Parliament of Canada.



occupy a position of strategic importance both in the normal economic life of the country and in periods of national crisis.

The fact that all the people of Canada need and use railways emphasizes a problem which only a national subsidy can remove without injustice to some areas.

Two great wars in the last generation have shown that the railways are an integral and indispensable part of our defence establishment. Their revenues must be sufficient to maintain them at the level of efficiency required by the national interest and it is only just that the burden should be borne by the whole nation. A national subsidy is a fair way of distributing the burden.

(e) It is suggested for the consideration of the Commission that there is a precedent for the payment of a national subsidy to the railways in the subsidy at present being paid for the benefit of the Maritime Provinces. The subsidy now proposed would, in essence, be for the benefit of all areas and therefore may be regarded as a truly national subsidy.

(f) In addition to the merit of correcting obvious injustices, the subsidy device would offer two further advantages in (1) that a government subsidy would be subject to periodic review as to the needs of the railways for such payments; (2) that government supervision would insure that the transportation system would be maintained at a high level of efficiency to meet national crises.

(g) The national government could raise the funds necessary for a transportation subsidy either by taxation or by loans, depending upon whether at a particular time its monetary policy was directed towards the curbing of inflationary tendencies or towards warding off deflationary threats to the economic life of the country.



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